DEVELOPMENT IMPLEMENTATION PLAN

Franklin Avenue LRT Station Area
Minneapolis, Minnesota

JULY 15, 2005

HAY • DOBBS P.A. Minneapolis+Marshall

ARCHITECTURE
URBAN DESIGN
PLANNING
INTERIORS

• REAL SPACES FOR REAL PEOPLE •

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Executive Summary

Purpose

The purpose of this Implementation Plan for the Franklin Avenue LRT Station Area is to optimize development potential resulting from this new and promising transit option.

This plan is intended to be a clearly-understood tool for the County, City and potential developers to assess the potential of the overall study area along with site-specific opportunities and needed infrastructure investments for each of eight defined "precincts." The plan is thus meant to catalyze development by providing the best initial analysis of development/market opportunities and associated public and private development costs.

General Study Area, Project Area and Precincts

These identified development parcels and the streets that connect them are all within easy walking distance of the station. Reaching from the Augsburg College campus and I-94 southward to the Seward neighborhood and 24th street, the Greater Project Area serves as a transition from the Institutional/Hospital scale of the West Bank to the residential neighborhood scale of Seward. Stretching from 22nd Avenue on the East to Bloomington Avenue on the west, the Greater Project Area is sharply bisected by the LRT line and, at a greater scale, the alignment and related ramps of Hiawatha Avenue.

At the center of this study area, the designated project area remains one of the last industrial and underdeveloped segments of Franklin Avenue. Rebuilt over the last fifty years to serve automotive speeds, railway and industrial uses, the scale of the project area defies easy pedestrian movement and street-level activities.

Assumptions Underlying this Plan

This plan grew out of several years of efforts including a Master Plan for the station area in 2001. Building on this research and the best available evidence of current and future real estate markets, this plan:

- Accepts the urban design principles of the 2001 Master Plan
- Focuses on realistic development based on market and financial analysis;
- Creates connections throughout the station area and identifies development opportunities at the margins of the neighborhoods
- Focuses on catalyst development
- Addresses the public safety issues at the Cedar Box/Ambles site
- Recommends phased infrastructure investment correlated with expected development

Parcel Identification by Precincts

As lead urban designers, HAY • DOBBS created eight precincts to delineate development parcels. Individually described in Section 5 of the full report, these precincts serve as a descriptive point of departure for specific development studies. The precincts are defined by compatible future land uses, proximity, and surrounding streets. They will likely be the scale at which development projects are analyzed by prospective developers. For each precinct, this plan provides the public and private sectors with clear summaries for:

- Plan area land uses
- Acreage
- Massing, open space, density and form
- Quantity analysis for parking
- Quantity analysis for allowable square footage
- Direct costs
- Associated public infrastructure costs
- Phasing

Based on the input of numerous neighborhood stakeholders, the County and City, this plan is written and illustrated to communicate with many audiences. The purpose of this plan is not to create detailed design for such public realm amenities as streetscapes and open space but rather to outline a path for implementation supported by a clear statement of public and private costs. This plan is written and illustrated with a clarity that encourages efficient review by each stakeholder group.

Market and Feasibility Analysis

This study's market anlaysis was carried out by Quam, Summnicht & Assoc. Inc. (QSA). QSA's findings on sequencing, tax increments, market capacity, and demand underlie this Implementation Plan's designs for public infrastructure and parcel development. The following Summary appears in the QSA report's Executive Summary:

Concluding that housing is now the strongest market, followed by retail, then office and industrial uses, this study recommends that the Master Plan catalyst development, an office tower, be replaced with a mid-to-high rise residential complex located across Franklin Avenue from the original catalyst site.

To best use site advantages, this plan places the residential tower to the south with lower buildings to its north, so that high value residential units can be built in the higher levels of the tower with views toward the downtown skyline. This visual advantage that could not be realized if the office tower in the Master Plan were located to the north.

The Franklin Station area, located two light rail stops from downtown Minneapolis, can be marketed as an alternative to more expensive downtown living.

The proposed plan contains 1000 residential units spread over 7 of its 8 precincts. With implementation expected to extend over about 20 years, it offers two timing strategies, tied to market considerations. The first would begin conservatively, building only to existing local demand: a single-precinct complex containing about 400 units. The second, the recommended strategy, begins with approximately 625 owned and rental units in buildings south of the station on both sides of the rail line. This would permit better allocation of uses over the sites, and potentially spur earlier spin-off development in remaining precincts.

On two quadrants adjoining the rail station, north of Franklin, the scenario contemplates 43,800 square feet of retail and entertainment—a one story convenience retail building on the west and complementary uses (including a possible American Indian cultural dinner theater) added to existing entertainment on the parcel northeast of the LRT station.

Total assessed value for these housing and entertainment precincts would be raised from just under $3 million dollars to over $200 million.

Already planned supportive housing and CUHCC clinic site improvements would fall into early phases. In precincts not adjacent to the rail station assorted retail, commercial and mixed-use commercial/residential buildings, a new grocery and more restaurant uses would fall into a third phase.

Implementation

The Plan report stresses that Implementation should be collaborative between all parties including:

- The City of Minneapolis/CPED
- Hennepin County
- Ventura Village
- Seward Neighborhood
- Seward Redesign
- AIOC
- Augsburg College
- Fairview Hospitals
- MnDOT
- Metropolitan Council
- Metro Transit
- The University of Minnesota

A project manager should be assigned to guide progress and to organize ongoing steering committee meetings with representatives from all of the above groups. The goal of project management should be to create a capacity for the City to respond quickly to emerging market opportunities and developer needs. This project should be planned as a district with advance strategic coordination of major infrastructure needs and diligent documentation of the funding opportunities to meet them.

Major implementation steps will include:

- Creation of a redevelopment district
- Inclusion of district in City and County Comprehensive Plans
- Securing City ownership of all public lands including MnDOT land and ROW
- Street improvements on Franklin
- Engineering study for the relocation of Xcel power lines
- Relocation of Minnehaha Avenue (and related land acquisition)
- New intersection/street at the northeast quadrant (and related acquisition)
- Coordination between City and County for transportation funding grants
- Perpetuation of the steering committee as a vehicle to review and make recommendations for development and advance implementation.

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

1.0 Introduction

1.1 Plan Purpose and Strategies

The history and growth of Minneapolis have always been shaped by transportation. Evolving technologies and speeds left their mark on the city in the form of "taxpayer strips" along important streetcar routes such as Lake Street and at hubs where streetcar and later bus lines crossed. From 1880 to today, transportation modes defined not only the city's neighborhood nodes, but also its overall scale and relatively low density.

Purpose

The purpose of this Implementation Plan for the Franklin Avenue LRT Station Area is to optimize development potential resulting from this new and promising transit option.

This plan is intended to be a clearly-understood tool for the County, City and future developers to assess the potential of the overall study area in terms of site-specific opportunities and needed infrastructure investments for each of eight defined "precincts." The plan is thus meant to catalyze development by providing the best initial analysis of development/market opportunities and associated public and private development costs.

Parcel Identification by Precincts

As urban designers seeking a logical development of massting and street access, HAY•DOBBS created the eight precincts to delinate group development parcels. Individually described in Section 5, these precincts serve as the descriptive scale for specific development studies. The precincts are defined by compatible future land uses, proximity, and surrounding streets. They will likely be the scale at which development prospects are analyzed by the prospective developers. For each precinct, this plan provides the public and private sectors with clear summaries for:

Plan and land uses
Massing, open space, density and form
Quantity analysis for parking
Quantity analysis for allowable square footage
Direct costs
Associated public infrastructure costs
Phasing

Developer Implemenation by Parcel Clusters

Within the framework of the eight precincts, this plan applies market analysis to recommend development phasing by clusters of parcels. QSA's economic analysis is based on the cocenpt of "Development clusters," namely phaseable projects that can be packaged to pay for related insfrastructure improvements needed for each. These "clusters"

can be implemented in a flexible sequence that responds to housing and commercial market capacity over the next 20 years.

By combining urban design at the district and precinct scale with flexible development options by smaller clusters of parcels within one or more precincts, this plan sets the basis for an urbane and human-scaled community that responds to the marketplace.

Recommended Early Phasing

This implemenation plan grew out of extensive public input and study of varied development scenarios. As will be desribed in Section 6, Recommended Implemention, the plan encourages that Precincts 1, 2, and 3 be developed simultanously to create a critical mass within the regional marketplace that will attract further development over time. Such an initial bold stroke will also create sufficient tax imcrement to retrieve infrastructure costs for highly-visible and immediately affected areas close to the LRT station.

Related Development Projects

In later phases, development steps may not exactly align with the identified planning precincts. Rather, there is flexibility for development projects to span over two or more precincts while not building-out the entire area. For all eight precincts the plan looks at primary activities in housing, retail and office uses that the market will likely generate. Yet, it is likely that related social services and specialized uses will also be generated. The plan allows the spatial flexibility and access to accomodate such uses. As a future step, each project will require independent economic analysis as well as detailed site design not covered herein.

Some area residents and stakeholder groups have expressed a desire to move the current fire station to a new site. Yet, for the LRT Station Area studied herein, the completed economic analysis shows that the related relocation and infrastrcuture costs cannot possibly be supported by revenues from any phases of the envisioned implementation. For this reason, project funding will have to come from an external source for the fire station move to occur.

1.2 Study Area

General Study Area, Project Area and Precincts

The LRT line affects residents throughout the region with new access options to the Mall of America, airport, downtown and the neighborhoods between. Neighborhoods within eight blocks of stations are especially affected by increased pedestrian traffic, increased housing values and developer interest. For the Franklin LRT Station, this implementation plan focuses on eight precincts illustrated herein.

These identified development parcels and the streets that connect them are all within easy walking distance of the station. Reaching from the Augsburg College campus and I-94 southward to the Seward neighborhood and 24th street, the Greater Project Area serves as a transition from the Institutional/Hospital scale of the West Bank to the residential neighborhood scale of Seward. Stretching from 22nd Avenue on the East to Bloomington Avenue on the west, the Greater Project area is sharply bisected by the LRT line and, at a greater scale, the alignment and related ramps of Hiawatha Avenue.

At the center of this study area, the designated project area remains one of the last industrial and underdeveloped segments of Franklin Avenue. Rebuilt over the last fifty years to serve automotive speeds, railway and industrial uses, the scale of the project area defies easy pedestrian movement and street-level activities.

The completion of the LRT line through the center of this diverse and significantly changed neighborhood offers a new opportunity to bridge the Seward and Phillips neighborhoods with safe and pedestrian-scaled development. The specific precincts of the project were chosen through the community participation process of 2004 to ensure the largest impact of phased development.

1.3 History

Franklin Avenue has long been one of the most important commercial and transportation corridors in Minneapolis. The Avenue originally ran along the southern border of the Town of Minneapolis that was established in 1856. Over the next twenty-five years, the area expanded away from Franklin to the south and west. A major influence on the early growth of the neighborhood was the construction, in 1870, of the Iowa and Minnesota Division of the Milwaukee railroad, which runs parallel to Hiawatha Avenue on Seward's western border.

This history of Franklin Avenue is drawn from the Seward Neighborhood Group website:

www.sng.org

With the introduction of the railroad, the western part of Seward began to develop into a small but dense residential area for the immigrant and working-class families who worked in Franklin Avenue's railroad shops and in nearby Minneapolis. Development in Seward was further stimulated by the Milwaukee Railroad "Short Line," built between Minneapolis and St. Paul in 1881, which came to form the southern boundary of the neighborhood.

Throughout the 1870s and 1880s, residential development remained confined to the area adjacent to the railroad and the industrial district. During this time, a small tract of land between 26th and 30th Avenues was used as a fairground by the Minnesota Mechanical and Agricultural Association. In the 1890s, the fairground would be abandoned, and much of the eastern part of the neighborhood would become settled at this time.

In 1888, the Franklin Avenue Bridge, which spans the Mississippi River, opened, and its introduction into the neighborhood fostered the commercial development of Franklin Avenue. Between 1902 and 1905, the Park Board acquired the entire West River Road Park, a part of the green belt that connects so much of Minneapolis, and began making improvements that would eventually turn the park into the desirable residential location it is today. By 1930, the area had been built up into a fully developed neighborhood. In 1960, the Seward Neighborhood Group (SNG) was formed to build the first school-park facility in Minneapolis.

The success of the SNG's efforts encouraged more activism. In the 1970s, the community became politicized during the urban-renewal period in Minneapolis, mobilizing to ensure National Historic Preservation status for the small working-class homes that lined Milwaukee Avenue. Community interest also resulted in the construction of Seward's high-rise apartment buildings, which added hundreds of units of affordable housing to the neighborhood.

The last ten years have seen even more changes. Seward Redesign has worked to attract and develop new local businesses that serve the needs of the neighborhood's residents and keep the area's economy vital.

2.0 Area Opportunities and Initiatives

2.1 Site-Specific Opportunities and Initiatives

The following opportunities apply to many Minneapolis neighborhoods, but they are especially relevant for the history, scale and location of the Franklin Avenue LRT Station Area initiatives:

1. Enhancing the area's image by creating an identifiable urban district unique to the Franklin/Cedar area, making this area a destination. Furthermore, connecting Ventura Village and Seward neighborhoods in a significant manner.
3. Respecting the diverse history, development pattern and culture of the area.
4. Encouraging a variety and mix of land uses appropriate to the area.
5. Creating a focus on the Franklin/Cedar node with architectural creativity and building height.
6. Promoting diversity by providing a variety of housing types, sizes and styles.
7. Creating more opportunities for green space, streetscape, and public art.
8. Building an architectural and/or symbolic connection that unifies all four corners of the Franklin/Cedar intersection and Augsburg College with the LRT Station.
9. Ensuring that the margins of redevelopment are compatible with the scale, design and use of adjacent neighborhoods.

2.2 Summary of Prior Plans

2.2.1 City's Comprehensive Plan and General Policy

The community's Comprehensive Plan is the blueprint for the growth and development. The plan guides the decisions of the City Council and Planning Commission in all aspects of community development and serves as a tool for City Staff in operation of municipal government. The City of Minneapolis maintains and regularly updates its Comprehensive Plan.

Minnesota law (Statute 473.865 Subd. 2) places the emphasis on an official land use plan as the guiding document setting the basis for the establishment of zoning. Zoning must be consistent with the comprehensive plan.

2.2 Summary of Prior Plans

2.2.2 Hiawatha LRT Corridor TOD Market Study

In December 1999, Zimmerman/Volk Associates completed a TOD Market Study for the entire LRT corridor. Prepared for the Minneapolis Community Development Agency, the study examined a regional economic framework along with existing condition in the proposed station areas. For Franklin Avenue, the study identified a mix of small industrial current uses along with bars and housing.

The study noted poor regional access and no regional destination attractions. There is also poor internal circulation with barriers preventing many direct access points between the Seward and Phillips neighborhoods. The report stated that significant public investments may be needed to spur development and that revised road alignments, improved freeway access and transit hubs could significantly improve that marketability of development parcels. The report also stated that because of the platform location, the most development influences will be to the north and south along the line rather than broadly outward to the east and west along Franklin Avenue.

2.2 Summary of Prior Plans

2.2.3 Franklin Avenue LRT Task Force (2000)

Completed in March 2000, the *Franklin Avenue LRT Task Force Report* brought together a core group of 25 participants from the Seward and Phillips neighborhoods to create a community vision for future development around the Franklin Avenue LRT Station, then in planning.

The Task Force examined four key issues summarized here:

1. The impact of the LRT maintenance facility on the station area and adjacent neighborhoods.

2. The challenge of providing, safe, convenient access through the isolated surrounding area.

3. The potential for significant new development in the station area.

4. The need for effective public oversight of the project.

The community's first concern was the location of the LRT maintenance facility. The site was chosen by other governmental entities. Ultimately, a strategy of "aggressive mitigation" was recommended. Other strategies included working with LRT planners to revise the layouts of the facility to preserve land for "buffering development" along Franklin and Cedar Avenues. For Franklin Avenue between Hiawatha and Cedar, the Task Force recommended new multi-level development that facilitates easy entry at street level and upward access to the LRT platform.

To the west, between Hiawatha and Bloomington, the Task Force recommended new development related to existing uses including medium-density housing and expansion of the Community-University Health Care Clinic. Both of such development were seen to encourage pedestrian use of Franklin.

To the north and south of Franklin to the east of Hiawatha, the study recommends mixed-use development with an emphasis on housing to the north and office and institutional uses to the south.

2.2 Previous Studies and Initiatives

2.2.4 Franklin/Cedar-Riverside Master TOD Plan (2001)

The August 2001 *Franklin/Cedar-Riverside TOD Master Plan* led by SRF Consulting Group set forth the following Principles that ground this implementation plan for the Franklin Avenue LRT Station. The 2001 assumptions ground this 2005 Implementation plan. They are:

1. Use--Parcels immediately adjacent to the station platform should contain uses that promote pedestrian activities and provide either destinations or origins for LRT and transit system patrons.

2. Form/Safety--The immediate station area should provide convenient access to the station platform, provide an attractive environment for pedestrians and transit system users, and promote personal safety.

3. Form/Use/Safety--Development at the station areas should be compatible with the character of surroundings neighborhoods and should support the overall community health.

4. Movement/Form/Safety--Pedestrian paths between the station and major LRT patron origins should be as direct as possible. Paths within a five-minute walk (1/4 mile) of the station should possess clear wayfinding to the station, a comfortable and attractive walking environment, and promote personal safety.

5. Movement/Safety--Bicycle routes within a 1/2 mile of the station should provide safe facilities for bicycle use. Bicycle access should be considered when planning for development immediately adjacent to the station area.

6. Movement/Safety--Clear, attractive and safe access should be provided between nearby bus stops and the station platform.

7. Use/Form--Land uses within 1/2 mile of the station should provide opportunities for higher density housing, high employment work places, and other high activity uses (schools, entertainment and retail) that maximize LRT system benefits.

8. Use/Form--Public infrastructure and land use immediately adjacent to the station area should be organized to take advantage of development opportunities immediately adjacent to the station.

9. Use/Form/Safety--The urban form of development near station areas should promote a high quality environment that provides an attractive pedestrian setting, facilitates bus, vehicle, and bicycle traffic, and promotes community values.

2.3 Development Implications

As property values rise in Minneapolis, development types are changing. Land costs are rising for numerous reasons. Regionally, land values are increasing in every community. The Twin Cities had very affordable land for many years, but now increasing land values have joined the national trend. Specific to Minneapolis and Saint Paul, the central cities often have additional costs, such as removing existing structures, and sometimes cleaning up contamination. These expenses do not often exist in new suburbs. As regional traffic congestion worsens, the Franklin Avenue station's location, only one LRT stop from downtown Minneapolis, will become increasingly attractive for downtown workers, members of the University of Minnesota community, and others.

The other critical factor affecting development is the rent rate/sales price. Franklin Avenue rent rates are lower than in the downtown area and in many suburbs.

The impact of high land costs and moderate rent rates is significant. No longer is it possible for most developers to build single-story buildings that serve just one user. The typical exceptions are regional/national chain stores (gas stations, retail, restaurants).

Multi-story buildings are necessary because, with low rent rates and high land costs, developers must find a way to generate enough income to amortize land costs. This is accomplished by creating more rentable space. So, instead of building a single-story office building, developers must build a three-story building on the same amount of land. Of course, building more space has a cost, but developers find the balancing point where the additional rent generated is greater than the construction cost.

Example: Developers generally pay $10,000-15,000 for land per unit of housing. The rest of the cost of building a new house is mostly construction costs and some profit margin. If a developer were to buy 10 older small homes on a block at a cost of $150,000 each (total cost of $1.5 million), a simple technical analysis suggests there would be 100 new units to make the development cost-effective. However, this may be an unacceptable density for some blocks. In the process of project review the density might decline through subsidy and other factors. The important aspect to recognize is that the density needs to increase in most contexts if new development is to occur.

2.4 Transit Oriented Development Principles

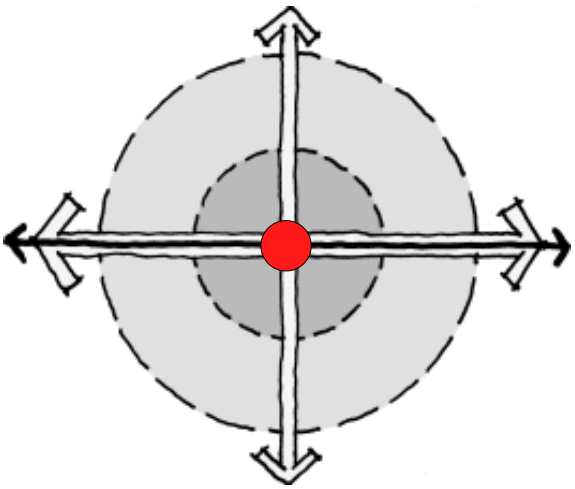


Figure 2.1: Transit-Oriented Development Diagram

1. Most intense core; very walkable with a focus on retail and mixed use residential development (1/4-mile radius).

2. Broader mix of uses; strong grid pattern of streets; less intensity than the core, but generally higher densities than surrounding area (1/2-mile radius).

Transit-oriented development (see Figure 2.1) is an opportunity for a community to capitalize on a public investment in public transit and use this investment as a catalyst for revitalization or neighborhood reinvestment. Transit oriented development is focused on two outcomes for the land immediately along the transit corridor:

1. Creating a physical environment that is friendly to transit users, pedestrians, and automobiles; and
2. Increasing the intensity of use around major transit stops with a concurrent goal of creating a diversity of commercial and residential space in a neighborhood.

In general, Transit-Oriented Development (TOD) is designed to:

- Create more livable, pedestrian-friendly communities;
- Include an identifiable center and a prominent public realm;
- Reduce the dependency on use of single-occupant vehicles;
- Increase the convenience of transportation alternatives, including walking, bicycling, public transportation, car pools, and van pools;
- Include a mix of commercial, retail and residential land uses with high job and residential concentration near major intersections;
- Locate buildings and walking areas to promote pedestrian movement, safety, and an appealing environment;
- Regionally improve air and water quality, reduce greenhouse gas emissions, and efficiently use land;
- Improve air and water quality, reduce greenhouse gas emissions and effectively use land in the area.

2.5 Defining Key Terms Used in this Plan

In this report, the phrase "*visible public infrastructure*" refers to all of those items within the public right-of-way including: roadways, curbs, gutters, manholes and covers, sidewalks, signage, signals, streetlights, utilities, catchbasins, and street furnishings.

The term "*Streetscape*" refers to visible infrastructure items within the public right-of-way encountered largely by the pedestrian, and located primarily on the sidewalk. The "streetwall," or street side face, of buildings contributes greatly to the perception of the district, but is not in and of itself a streetscape component in the purist sense. This does not prevent the two from being planned together, but merely distinguishes between parcels outside of the public right-of-away, and those areas within the public right-of-way. Objectives and recommendations within this study address both facade and streetscape, but do so with the understanding that the realization of either is subject to different fiscal, regulatory, legal and/or economic parameters.

Scored concrete, unified street furniture and the softening effect of street trees can transform large street areas into safe and inviting TOD pedestrian zones.

Transit-Oriented Development Principles and Definitions:

Ideally, a development proposed in a TOD area like the Franklin LRT Station should reflect the following general design, land use and spatial principles:

Development hierarchy. An overall development hierarchy allows for a range of land use types and intensities. The relationship between the center, middle and edge of the development should be clearly represented.

Multiple building types. Each TOD development includes a mix of building types that correspond to appropriate street frontages.

Civic uses. Civic uses oriented to the general public are essential components of a transit-oriented development, which encourages the inclusion of civic uses within the TOD area.

Open space. Open space in residential and commercial areas is a necessary component of a TOD development. These areas may serve as areas for community gatherings, landmarks, and as organizing elements for the neighborhood. Open space may include squares, plazas, greens, preserves, parks, trails and greenbelts.

Streets and alleys. A TOD is pedestrian-oriented. To accomplish this goal, street pattern and design is used to reduce vehicle travel speeds and encourage pedestrian activity. An interconnected network of streets and alleys is encouraged. Sidewalks and paths are required, and are designated on a development plan.

2.6 Goal for Streetscape Design

Key to the success of the streetscape is the degree of flexibility designed into the system, voids of opportunity, space left free for unanticipated activity. Critical to the dialogue surrounding streetscapes is the effect of scale and density (an attraction effect when elements become numerous) and the effects of synergy (when items overlap and interchange). These effects provide direction and potential whereby infrastructure (and streetscapes) can attract as well as distribute activity.

The goal for the streetscape is to focus these attractions into meaningful places.

This architectural approach to urbanism allows the detailed design of typical elements or repetitive structures. It entails the precise delineation of specific architectural elements (streetscape) within specific limits.

The design, programming and location of streetscape investments should promote a "capturing of events." As part of the public realm, the street should encourage gatherings, chance encounters, new public-oriented businesses with a street presence, and public festivals that become a tradition.

In other words, the street and its connections to open spaces and businesses should create a stage for life.

To achieve this civic vitality, there is a need for density, and complexity in the design that creates a condition where form matters, but more for what it can do than for what it looks like.

The hierarchy of intensity and public investment should support several of the Design Principles:

- Create a safe and pleasant walking experience with a strong orientation to, and focus on, the pedestrian.
- Enhance the area's image by creating an identifiable urban district unique to the Franklin/Cedar area, making this area a destination.
- Respect the diverse history and culture of the area.
- Create more opportunities for green space, streetscape, and public art.

3.0 Site and Community Analysis

3.1 Background and Community Involvement

The design and planning process involved neighborhood residents, businesses, district councils, City staff and other interested parties. To arrive at a desirable plan, the processinvolved working with these groups in an interactive and participatory manner. To facilitate discussion, HAY DOBBS synthesized the feedback and analysis from the early stages of work into three design concepts. Participants discussed the concepts and developed a series of positive and negative comments for each scheme. These schemes were then layered into a hybrid plan that united the best ideas of each concept and eliminated the undesirable content. This plan was the basis for the development of the Illustrative Plan found on the following pages.

3.1.1 Assumptions for this Implementation Plan

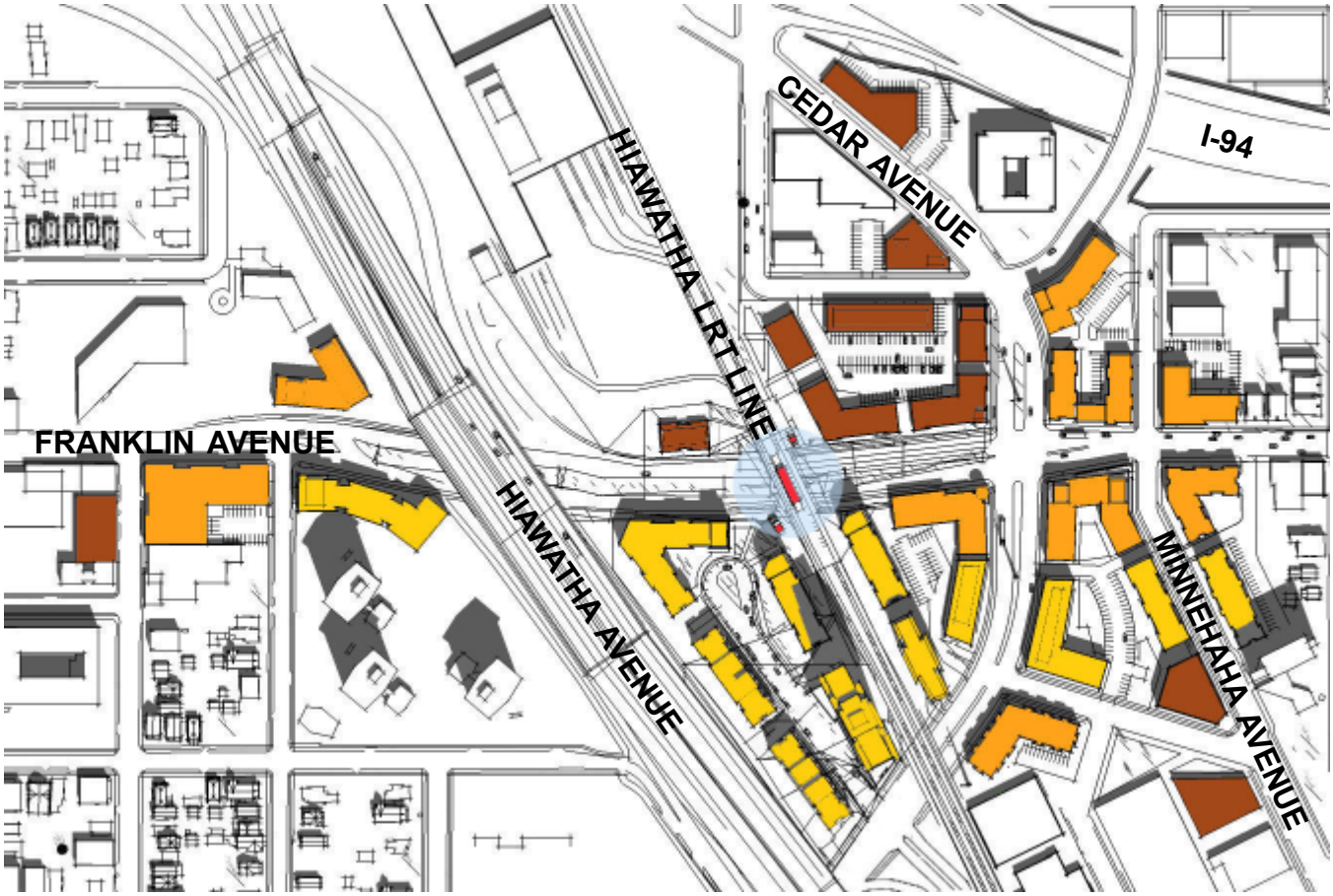
Project Assumptions

1. The Franklin-Cedar/Riverside TOD Master Plan document (adopted 2001) will serve as the base option from which the development of two alternative scenarios will move forward.
2. The development standards outlined in the 2001 Master Plan will be used as guides and benchmarks for the development of urban design and planning options.
3. The physical infrastructure as represented in the 2001 Master Plan (i.e. roadway alignments, traffic patterns) will serve as a basis for the formulation of alternative scenarios.
4. Current and predicted future market conditions will drive the development of the alternative scenarios, as well as the analysis of the 2001 Master Plan base option.
5. The current planning process will result in an actionable implementation plan, with a proposed five-year incremental updating process.
6. There is a desire for the definition of a catalyst development not necessarily dependent upon major infrastructure investment.
7. There are currently few, if any, public dollars available for infrastructure projects or development incentives.
8. The direct mitigation of perceived social problems is not within the scope of this implementation plan.
9. Working Group and members will represent their constituents throughout the decision-making process to enable thorough public input.
10. This planning process will include connections to and development opportunities at the margins of the project area, including the Seward and Ventura Village Neighborhoods to the east and west.
11. While this plan may result in the recommendation of zoning modifications as implementation tools for development, the execution of these recommendations will be considered by the City in its concurrent 40-Acre Study.
12. The specific design/predesign of individual development projects, along with detailed streetscape designs, will be undertaken outside of the scope of this project, as defined by the consultant's agreement with Hennepin County.
13. Two lanes of traffic in each direction (four total travel lanes) will be maintained for Franklin Avenue through the central project area for the foreseeable future.
14. The Xcel Energy power lines currently located along the west side of Cedar Avenue will remain in the area; however, to create better development opportunity options their relocation may be explored.

3.2 Illustrative Plan

The Illustrative Plan provides a forward-looking tool that incorporates the design and planning ideas developed during the study. It illustrates plausible and desired development over the course of the next 20 years.

Existing buildings are illustrated as outlines and potential future or proposed development is shown darker in tones by land use type.



N

0 50 100 200 FT

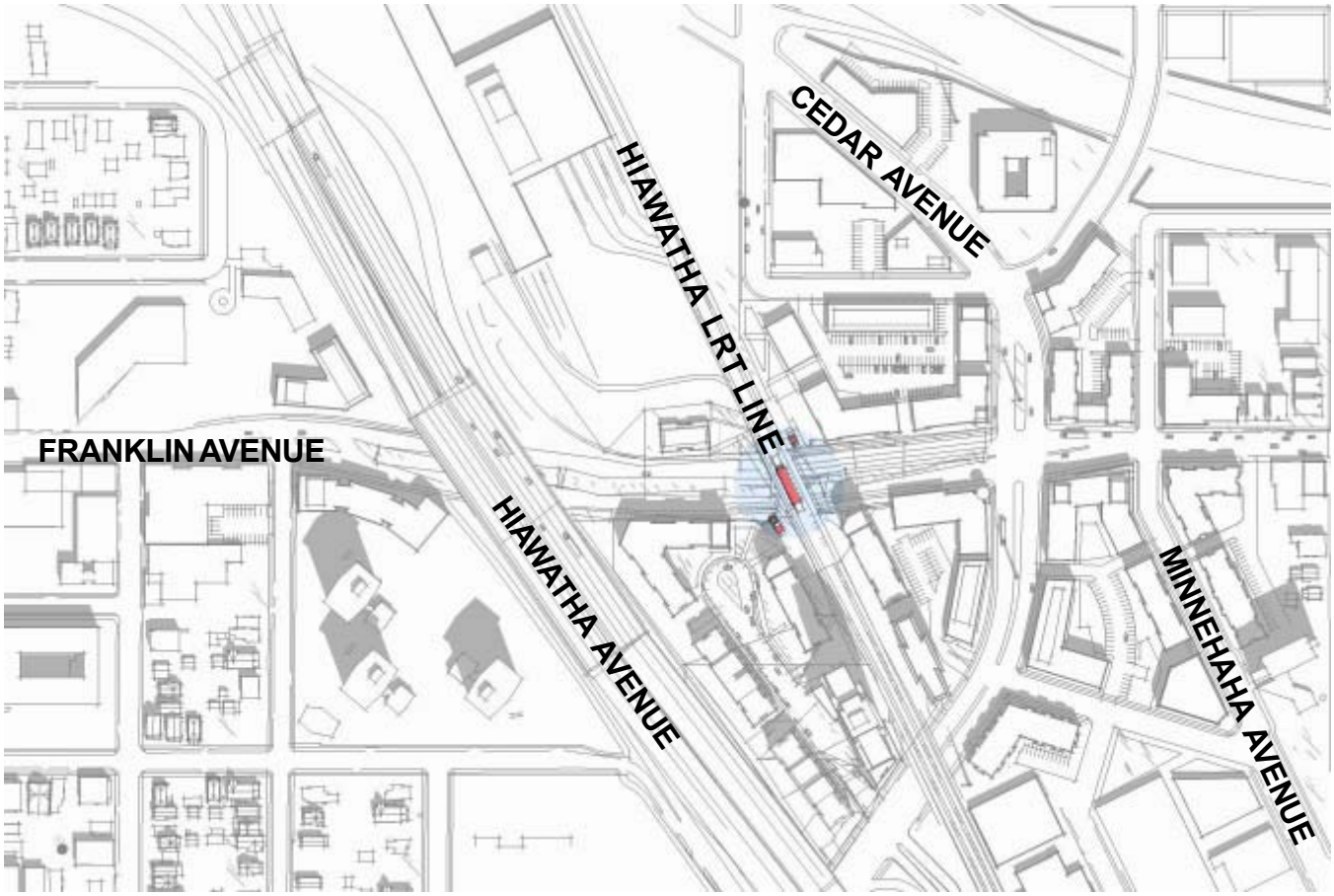
Residential

Mixed-Use

Single Use - Retail or Office or Cultural

3.3 Existing Streets and Infrastructure

Located at the meeting point between downtown, former factories and major railyards, the study area has historically been intersected by large roads and right-of-ways. A major challenge for future redevelopment will be to move the existing powerline and to mitigate the speed and width of streets. This plan will call for street modifications where needed and the movement of the powerline to the center of Cedar Avenue at the north end of the study area. See the following section, 3.4 Existing Physical and Site Conditions for futher analysis of opportunities and challenges posed by existing conditions.



3.4 Existing Physical and Site Conditions

(A full-version of this text and its references appears in the attached Market and Financial Feasibility Analysis by QSA)

Located at the meeting point between downtown, former factories and major rail yards, the study area is intersected by large roads and right-of-ways. Cedar Avenue with its existing high power lines presents a broad vehicular swath with significant utility set back requirements. Intersected by a stretch of Franklin that enlarges to four lanes only within the project area, the quality of the pedestrian environment is poor.

A Challenging Internal Street Pattern

Coupled with the intersection of these two major streets, additional thoroughfares present further challenges not only to non-vehicular travel, but also to the development of land parcels. West of Cedar, separate swaths of both Hiawatha Avenue and the Light Rail line cross over the development area at a diagonal, bridging Franklin. Adjacent Hiawatha exit and entrance ramps create odd shaped parcels that belong to the Minnesota Department of Transportation.

Finally, Minnehaha Avenue, a truck route, also at a diagonal, joins onto Cedar Avenue at the north end of the project area, further cutting up development parcels and scattering the area with heavy-traffic intersections. Along the north of the project, Interstate 94 bounds the area with a significant barrier, dictating traffic flow by the layout of its access points. North of Franklin between the Light Rail Station and Hiawatha, a large light industrial character rail garage facility occupies almost all of the space in the quadrant of land northwest of the station.

The result is a multi-level, oddly shaped assortment of parcels squeezed between major highways and arterials and infrastructure, owned by numerous owners both public and private. In some cases reassembly will be required. Creative use of the terrain will be required if a street front environment is to be achieved. Throughout the area significant attention must be given to access and traffic flow.

Strong Outside Access and Connections

The advantages of the area are also notable. Viewed as a location on a map of Minneapolis, the Franklin Station area is central to many amenities. The downtown and peripheral Metrodome sports stadium is only two LRT stops away. Interstate 94, which connects Minneapolis and St. Paul runs along the area's northern edge, making it accessible from both cities. Hiawatha Avenue is a major arterial connector with south Minneapolis, the international airport, and the Mall of America in Bloomington. Franklin Avenue is a significant east west arterial connecting the neighborhoods of Minneapolis. Cedar Avenue connects the area to the University of Minnesota. Augsburg College housing is so nearby that the station area is within walking distance.

3.4 Existing Physical and Site Conditions (continued)

Underground Parking and Site Opportunities

While sloping terrain in the area is a challenge for pedestrian walkways and street frontages, it is a boon to providing underground parking, which can be readily accessed from Franklin or Cedar for developments on the east side of the rail station. The height of the quadrants around the station make it possible to locate residential buildings so that they command magnificent views of the downtown skyline to the northwest and the Mississippi river to the east. Careful planning, can take advantage of these unrecognized assets.

3.5 Market and Financial Feasibility Analysis

This market and feasibility analysis provides an assessment of market and financial realities as they exist today and as they could be enhanced for an area that surrounds the Franklin Avenue Station on the Hiawatha light rail line in Minneapolis. It concludes with a recommended step-by-step implementation strategy.

History Approximately five years ago, a Franklin Avenue Station Area Master Plan was created as part of the *Franklin-Cedar/Riverside Transit Oriented Development Station Area Master Plan*, for the Hiawatha LRT line in Minneapolis. The Minneapolis City Council approved this plan (the Master Plan) in 2001.

The present analysis addresses both the Master Plan and a refined scenario, (the Implementation Scenario) which includes several density and strategy alternatives. It has been developed as part of an implementation study conducted in 2004 and 2005 for Hennepin County in partnership with the City of Minneapolis and Seward Redesign.

Project Area The project area boundaries described for this implementation study are: Interstate Highway 94 to the north, 24th Street to the south, Bloomington Avenue to the west, and 22nd Avenue to the east.

Purpose and Scope

Purpose After creation of the earlier Master Plan, changes in the economy and in market demand have made it apparent that, at this time, fundamental aspects of the plan are not feasible. Also, since development under the Master Plan calls for substantial infrastructure investment including road and utility changes, efforts to begin redevelopment have become difficult, particularly since little private investment is likely to result from these significant public investments.

Consequently, this plan develops refinements from the Master Plan with an Implementation Scenario that is sensitive to and driven by the current market and economy.

Scope The scope of this study includes determining base market data for the uses in the Master Plan and its redefined Implementation Scenario. Also, the study identifies site-specific market and development considerations that need to be addressed, determines market and financial feasibility and the appropriate scale of implementable revised uses. Recommendations include the scope and character of enhanced markets that could be developed as well as phasing and financial resources for development.

3.5.1 Market Study Methodology and Assumptions

Previous Studies and Available Sources

The attached Market and Financial Feasibility Analysis draws from data and studies already developed as well as current sources. Among existing studies and sources relied upon are: the *Franklin – Cedar Riverside Transit Oriented Development Station Area Master Plan, SRF, 2001*, with its incorporated references to the *Hiawatha LRT Corridor Transit-Oriented Development Market Study, Maxfield Research/ZHA, 1999* . Additional information relating to portions of the study area is drawn from the *Ventura Village Market and Development Feasibility Analysis, McComb Group, Ltd, 2000*, and *An American Indian Dinner Theater and Cultural Center, a Feasibility Study, Sjogren, 2003*. A list of sources and studies is set forth in Appendix A of this report.

In addition QSA has conducted telephone interviews with property owners for rental, ownership and vacancy information as well as conducting in person interviews with certain area stakeholders.

Assumptions

The following market areas have been identified.

Housing Initial phase minimal plan housing is based upon a local market area within Minneapolis. Larger scale housing (entailing taller buildings and all four quadrants around the station area) will need to draw regionally from Minneapolis and from south and western Minneapolis suburbs, and require market development based on proximity to downtown.

Retail The retail market area is defined as the area south of Interstate 94 and north of Lake Street, extending less than two miles east and west from the intersection of Franklin and Cedar.

Office and Industrial Office and industrial market areas have been identified as the whole city of Minneapolis.

Development of additional market after first phase development must be built from market development concepts outlined below including the successful employment of: critical mass, LRT accessibility, design and security, financial feasibility and area identity.

3.5.2 Existing Market Conditions

(A full-version of this text and its references appears in the attached Market and Financial Feasibility Analysis by QSA)

Office

Although the overall market for office space in the metro area continues to be soft, with metro area vacancy rates near 20%, there is demand from small businesses as well as from larger major employers who require back office space. The industry sectors that have continued to expand their office space include health care and health care administration, financial services, specifically mortgage and mortgage capital, medical technology, and the bio-medical industry. Financial services and health care have been the sectors most likely to consider expansion in urban districts. QSA has also observed a growing interest in small professional office condominium space properly designed into mixed-use buildings.

Lease rates for office space in this area, outside of Downtown and more than one mile away from the LRT generally lease for between $6.00 and $15.00 per square foot net. This substantial range is due to the fact that there is a significant diversity in age and type of building structure. Lease rates for new office space in the Downtown currently average between $8.00 and $12.50 per square foot net. This is a significant decline from the late 1990s and early 2000 when rents were much higher, $15.00 to $20.00 per square foot net. The proliferation of office space in the Downtown is expected to continue to suppress rents for at least the next two years or until a substantial amount of the vacant and sublease space is occupied.

Retail

Retail in this area has been primarily targeted toward the local neighborhood with a few destination retail outlets, primarily restaurant and entertainment related, that have been established for many years. It is likely that this type of retail environment will remain consistent over the long-term. A critical mass of new housing and employment in the area would enhance demand for uses such as restaurants, a coffee shop, laundry/cleaners, video rental, bike repair, copy center, or a small deli/market.

These uses would be patronized either by employees during the day or, after work, by residents from either a new housing development or from the immediate neighborhood. There is limited neighborhood shopping nearby and with the surrounding housing and Augsburg College in close proximity, there is unfilled demand for these services.

The current market would probably support 8,000 to 10,000 additional square feet of space in a new building/complex depending on the first floor configuration of the space and the building footprint. The retail could be linked to the Franklin Street Station to also serve train passengers. Lease rates vary dramatically in this area and range anywhere from a low of $4.00 per square foot net to a high of $23.00 per square foot net. This range is substantial and reflects a significant variation in age for the building, pricing and size.

3.5.2 Existing Market Conditions (continued)

Housing (Rental)

At this time, the rental market is soft with higher vacancies and the for-sale market is strong due to low mortgage interest rates.

Vacancies among nearby Downtown rental properties are currently high, over 10%. The Twin Cities area quarterly rental vacancy rate at the end of 2004 was 7.3%, up from 6.7% in the previous quarter, but reduced from 7.6% a year previous. Personal and telephone interviews of multi-family rental units in the Franklin Station area revealed vacancy rates consistent with or slightly better than the metro rate, with vacancies ranging between zero and 8% per property.

While Minneapolis rental rates range from $556 for a studio to $1386 for a three bedroom, QSA identified a range in the immediate station area from $445 for studios to $1245 for three bedrooms, rates slightly below the metro averages. Relevant to the immediate area, recent development of student housing at Augsburg and at the U of M has met with a high level of success. All of this housing has been rental.

Housing (Owned)

Condominium development in the nearby Downtown has boomed the past two years, with a significant number of units in the works and coming on-line. By mid 2004, roughly 1,300 units had been brought on-line over the previous 18 months. Another 600 units were currently marketing and once they reach 50% presales, will begin construction. There are another 960 units planned for development that have received some form of approvals. Another 2,300 units are being proposed or talked about, but their development is tentative. These figures exclude other sites and buildings that are being considered for housing, but do not have a formal development plan or any city approvals.

Development outside of the Downtown has been strong although pricing is generally less than for Downtown developments. There are roughly four projects in various stages of development in the Whittier neighborhood just outside of the Downtown. Unit pricing ranges from the mid-$100s to the mid-$300s within four buildings. Other buildings are currently being developed along the LRT line at 50th Street Station and near the 38th Street Station. Two of these properties are condominiums with pricing in the mid-$100s to mid-$200s. The 38th Street Station development is a senior cooperative containing 50 units.

Industrial

Uses in the station area remain somewhat mixed, with industrial interspersed along and either side of Hiawatha Avenue. In general, demand for industrial space in the metropolitan area is weak, with vacancy rates ranging from 11.6 to 17.2%. However, for areas such as the Franklin station area, conversations with the City of Minneapolis indicate that demand exists for smaller size parcels. At least one acre would be required to accommodate facilities and parking. In the Minneapolis urban area near the Downtown there are a number of companies looking for land of this type to build new or to expand.

3.6 Summary: Plan and Implementation Scenario

The following specific steps and actions are recommended as a development implementation plan. Times specified are estimates intended to provide a sequence of events and a general sense of timing for planning purposes.

First Year Activity

City Redevelopment District Adoption, Rezoning, Designation of Development Administrator.

• The City of Minneapolis should adopt the Implementation Scenario as a modification of the Master Plan and designate the area as a Redevelopment District.

• Initiate rezoning activity to permit the uses designated in the Implementation Scenarios.

• Designate and fund a development administrator to promote and facilitate the Implementation Scenario.

Years One through Five

Secure developer, land acquisition, financial plan

• Begin the development of Precinct 1 using either of two approaches.

• Develop it as a single site absorbing all of the historically based demand (150-175 owned, 225-250 rental), or

• Develop it as part of a four quadrant development, focusing on high end owner occupied condominiums in Precinct 1 (350 owned, 55 rental — Preferred)

3.6.1 Development Strategy Recommendation

Years One Through Five

It is recommended that, unless a willing developer (or developers) cannot be found for this approach, or unless land acquisition issues become prohibitive, the community should pursue the four quadrant development option. If a developer is found who accepts the evidence that an expanded market will support this scale of development (even if it needs to be phased by Precinct or even by building within a single Phase 1), the following advantages will accrue from the more aggressive approach:

• Ability to take full financial and design advantage of the assets of the site.

• Increased sale prices and rent rates.

• Increased financial capacity to acquire underlying land.

• Increased potential to optimize the value and use of adjacent quadrants.

• Increased potential to catalyze broader area development.

• Better leverage to pay for area infrastructure changes.

• Publicize the development opportunity nationally, identifying and recruiting appropriate developers to serve as a master developer or as part of a development partnership, each taking appropriate portions of the development.

• Assist in the communications between interested developers and local businesses, landowners and stakeholders to develop a financial and land acquisition strategy that will provide inducements to cooperate in the redevelopment. If possible, avoid the need to consider eminent domain.

• Select a developer (or developers) through city approval after reviewing preliminary proposals and concepts and submitting them to an informal city staff, county and neighborhood review process.

• Begin the process of identifying funding sources, making grant and financing applications and negotiating a development agreement with the developer and the City.

• Assist in negotiations between the developer, the City and local businesses, landowners and stakeholders (including any governmental land owners) to accomplish land acquisition and any participatory development agreements that may be appropriate among them.

• Finalize development and financing agreements (including applicable infrastructure funding and improvement agreements) between the City, the developer and other involved parties. Have them approved and executed.

Years Two through Ten

Site Assembly, construction, Phase I

• Begin land acquisition, design and construction for Phase I precincts

• Development of Precincts 2 and 3

• The residential market for Precinct 2 will not immediately exist if Precinct 1 was developed separately and has used all of the existing demand. (If Precinct 1 had been developed separately, after a sufficient market demand has developed—in 4 to 5 years—begin Precincts 2 and 3 by proceeding through the steps set forth above for Precinct 1)

• Help identify a site for AIOIC's service uses either on Precinct 2 or elsewhere (It is recommended above that this site be outside Precincts 1, 2 and 3, except for the dinner theater/cultural center in Precinct 3)

• Encourage entertainment owners on Precinct 3 to expand or incorporate their businesses into a signature development plan for Precinct 3 and assist in those negotiations until agreements are reached

• Refine and enforce a unified development plan for Precincts 2 and 3, consistent with Precinct 1, incorporating parking and infrastructure costs.

• Link the following infrastructure costs to the four quadrants around the station and assist in their implementation

• Initial landscape improvements on Franklin from Hiawatha to the LRT line

• Improved landscape, plaza design and under-bridge improvements along Franklin from Ventura Village through Cedar intersection

• Relocation of power lines along Cedar

• Relocation and realignment of 9th Street with 20th Avenue South north of Precinct 3

• Site-related parking structures

• Facilitate coincident First Phase development of the CUHCC clinic and Workforce housing sites

• Market exists for mixed use retail in Workforce Housing site

• CUHCC clinic mixed use should build commercial/medical floor to suit.

• Housing above CUHCC clinic ground floor will compete with Precincts 1 & 2, but has potential to come on market first

Years Six through Ten

Site Assembly, construction, Phase II

• Begin Phase 2 development (other than Precincts 2 and 3, see above)

• Seek developer and tenant for office building at the intersection of Franklin and 15th

• Assist in exploring, negotiating land acquisition

• Begin construction of office building

Years Eleven through Twenty

Site Assembly, construction, Phase III

• Begin Phase 3 development, conduct land assembly, developer selection, site financing and development agreements for the following:

• Housing on Precinct 5

• All of Precincts 4, 6, 7 and 8

• Development on Precincts 4 and 6 should be tied to Infrastructure costs of the road reconfiguration (and sewer alterations under Precinct 6) at Minnehaha Avenue as well as to Franklin streetscape improvements east of Franklin

• Development on Precincts 4 and 7 should be tied to the 22nd St. extension tying Minnehaha and Cedar

• Sound wall reconstruction adjacent to Parcel 5b should be tied to that parcel's residential development

3.7 Transportation Analysis

(A full-version of this text and its references appears in the attached Transportation Analysis by Meyer Mohaddes Assoc.)

The pattern of streets and blocks in the Franklin Avenue Station area provides the framework for the urban form of the area by influencing the scale at which development can occur. Similarly, the intensity of development and the viability of different land uses in the station area are influenced by the various elements (transit, pedestrian, bicycle, automobile, and truck) of the transportation network available in the station area. The transportation analysis started with an evaluation of current conditions and those presented in the *Franklin Avenue TOD Master Plan Traffic Study* prepared by SRF Consulting in 2001. Building from that information, future traffic and circulation was evaluated for two development scenarios with a mix of residential, office, and retail uses. The findings were used to refine those scenarios into a recommended plan. Following are discussions of pedestrian and traffic findings that most strongly influenced the plan.

Pedestrian

Pedestrian connectivity is key to effectively supporting transit, both for buses on street and for the LRT. However, pedestrian connectivity in the station area is compromised by four elements. One is the placement of the LRT station above street grade over Franklin Avenue, which is an extension of the depressing of Franklin Avenue under Hiawatha Avenue. The second is the suburban style of design employed on the depressed portion of Franklin Avenue that results in a wide divided roadway with wide side slopes. The third element is the diagonal connection of Minnehaha Avenue to Cedar Avenue north of Franklin Avenue and the fourth is the placement of the overhead high voltage transmission line along the western edge of Cedar Avenue.

Each of these elements creates gaps in the pedestrian network in the station area and collectively these elements create a difficult environment for bridging these gaps. The clear easement requirements for the transmission line force buildings to be set back from the western edge of Cedar Avenue rather than coming out to the sidewalk. Depressing Franklin Avenue creates a grade change along the north and south edges that starts at Cedar Avenue and continues west almost to Bloomington Avenue.

The use of planted slopes to make up the grade differential along Franklin Avenue creates a condition where buildings along Franklin are set very far back from the street with little to no interaction between existing buildings and the sidewalk. The diagonal connection of Minnehaha to Cedar creates a small parcel with two closely spaced intersections on Franklin Avenue. The cumulative effect of these elements on the pedestrian network has been to create a very long (essentially Minnehaha to Bloomington) section of Franklin that has sidewalk, but no building frontage and consequently, limited pedestrian attractiveness. Locating the LRT station above Franklin, while expedient in terms of the configuration of Franklin and the LRT, exacerbates the lack of pedestrian attraction in the area by placing the center of transit activity away from the sidewalk.

Enhancing the attractiveness of the pedestrian network in the station area is not a matter of streetscape, but rather an issue of activating the sidewalk along Franklin. This can be achieved by closing gaps and by providing uses and amenities that will attract pedestrians and convey a sense of security.

There are three pieces to achieving better pedestrian connectivity in the station area. One is to provide for at-grade movement of people to the transit station from Cedar Avenue and Bloomington Avenue. This argues for developing additional pedestrian circulation along Franklin at the LRT level and fronting development on this space to activate it. Second, the sidewalk at street grade on Franklin needs to be activated with building frontage.

Because it is not feasible to change the grade on Franklin Avenue, the urban form of development in the station area needs to recover the space lost to side slopes along the roadway by coming out to the sidewalk, either in a terraced fashion or by bringing the building façade to sidewalk grade and making up the grade change with uses inside the buildings. Third, the gaps in the system created by Hiawatha, Minnehaha and the transmission lines need to be addressed to provide for a more continuous frontage along the sidewalk. This may require moving some of these elements. Lighting and sidewalk treatments in the areas under the bridges at the LRT and Hiawatha also need to be addressed from a security and safety standpoint, since it will not be feasible to introduce building frontage in these areas.

Traffic

Traffic and circulation in the station area is influenced by the regional connectivity of the street system. Franklin and Cedar Avenues are important regional and sub-regional routes that intersect at the station area. Cedar Avenue provides connections to I-94 and TH 55 (Hiawatha Avenue) in the station area, as well as to downtown Minneapolis and to the Lake Street corridor and beyond.

Franklin Avenue, as noted before, is one of the first east-west streets to connect Minneapolis and Saint Paul and currently is the first continuous east-west street south of I-94. Minnehaha Avenue provides access for trucks to the industrial area south of Franklin along the east side of Hiawatha. The confluence of these three major streets in the station area coupled with the traffic from the larger area served by these streets places a higher degree of emphasis on roadway width and lane patterns than would otherwise be the case in a station area.

From a traffic standpoint, accessibility and mobility are key elements in the effective functioning of the station area district. However, to support a mixed-use district, traffic speeds on the streets must be moderate and crossing distances need to be reasonable, otherwise the pedestrian character of the district will be compromised. This argues for a compromise between reducing delay at intersections and achieving a street cross section that is pedestrian friendly. Added to this is the need to achieve Level of Service D (acceptable congestion during peak

periods) on the County State Aid roadways (Cedar and Franklin Avenues).

Traffic on Cedar is sufficient to require a basic four-lane cross section with turn lanes at intersections, which is consistent with the divided four-lane design on Cedar Avenue. Conversely, traffic volumes on Franklin Avenue are consistent with a three-lane cross section, which is how the street has been reconstructed west of Bloomington Avenue. The intersection of Cedar and Franklin needs to be addressed from the standpoint of maintaining adequate traffic capacity while minimizing crossing distances for pedestrians. If not correctly designed, this intersection can become a major source of congestion and air pollution for the area.

Franklin Avenue needs to be addressed from the standpoint of moderating traffic speeds in the segment west of Cedar Avenue and providing for a more consistent transition to the three-lane section at Bloomington Avenue. Narrowing of Franklin Avenue, as proposed in the *TOD Master Plan*, while desirable, may not be financially feasible in the short-term under the constraints of this Implementation Plan (see items 5, 7, and 13 of Section 3.1.1).

Accordingly, narrowing of the travelway on Franklin between the LRT overpass and Bloomington Avenue should be considered, either through the incorporation of on-street elements (parallel parking and curb extensions) within the existing curb-to-curb areas or ultimately through the widening of the central median and the elimination of turn lanes at the intersection at the access to the LRT yards and shops. Use of alternate intersection designs (roundabouts) may be appropriate at the entrance to the LRT yards and shops.

As noted above, the diagonal connection of Minnehaha Avenue to Cedar Avenue is a factor in the pedestrian connectivity in the station area. The traffic that uses Minnehaha Avenue includes trucks, the movement of which is facilitated by the diagonal connection. Without the diagonal connection, traffic on Minnehaha would have to turn onto Franklin and then onto Cedar and there could be stacking issues (queues and possible lane blockages) on Franklin Avenue with the close proximity of the Cedar and Minnehaha intersections.

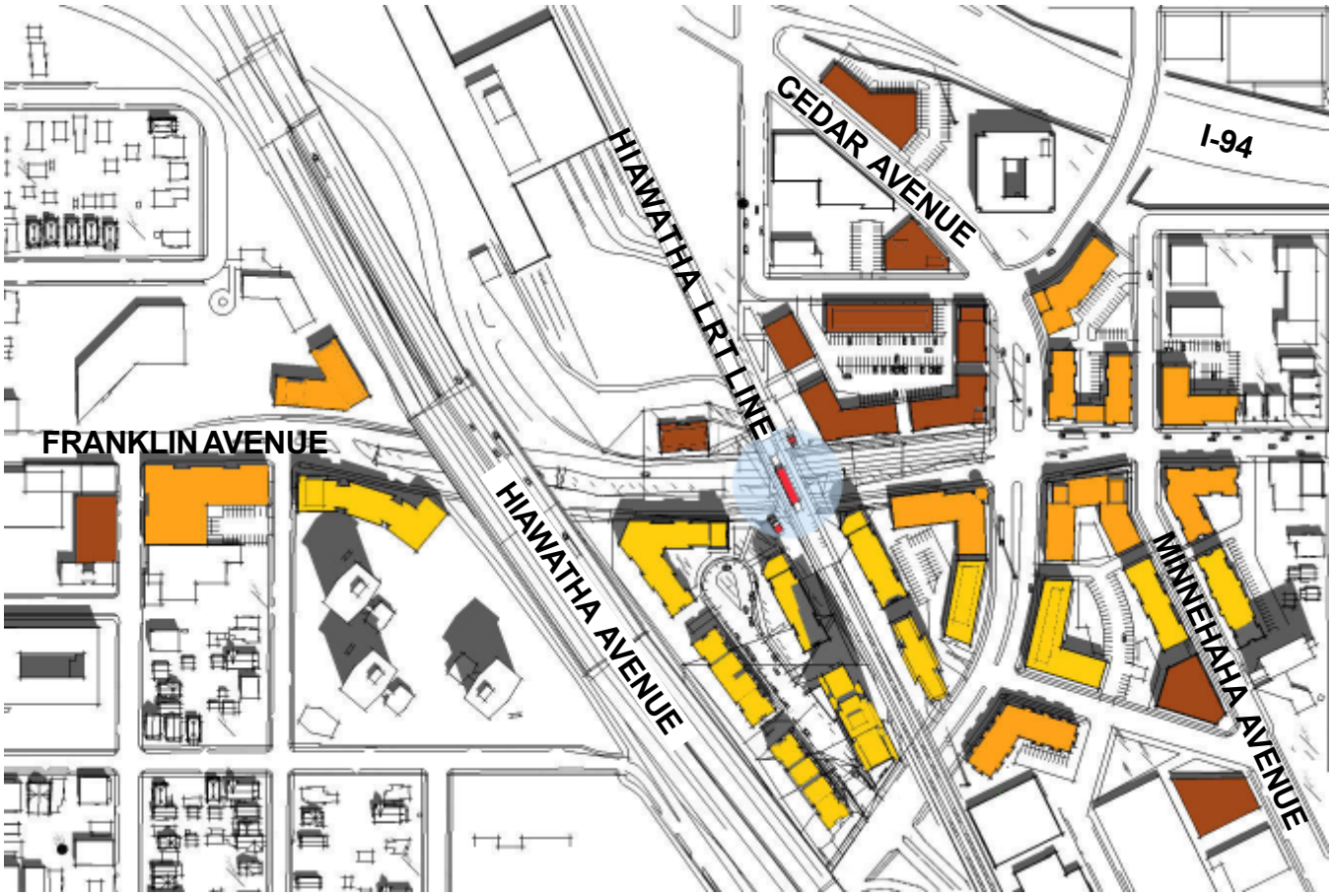
However, realigning the diagonal connection is necessary to expand the developable area on the block between Minnehaha and Cedar north of Franklin and to enhance the frontage along both Cedar and Franklin Avenues. The *Franklin Avenue TOD Master Plan* resolved this issue by realigning Minnehaha north of Franklin to connect to 20th Street. If a connection north of Franklin is not possible with a realignment of Minnehaha, then a connection south of Franklin needs to be considered.

The block west of Cedar and north of Franklin (adjacent to the LRT) is served by an internal street system that allows circulation parallel to both Cedar and Franklin, partly because the easement for the transmission line eliminates frontage along Cedar. Realignment of the transmission line to the median of Cedar Avenue would allow the space devoted to auto circulation on the periphery of this block to be re-

claimed for development or pedestrian circulation. Similarly, if the Minnehaha diagonal with Cedar is realigned as noted above, a full intersection at 20th Street and Cedar would be possible that could allow a connection to Old Cedar to the west. This connection location would provide for a more opportune block size on the two blocks east of Cedar and north of Franklin.

4.0 Overall Station Area Plan

Illustrative Plan



Residential

Mixed-Use

Single Use - Retail or Office or Cultural

N

0 50 100 200 FT

The overall area plan shows parcels by proposed use type along with proposed building layouts. This illustrative plan also reflects recommended changes to street alignments discussed further herein.

4.1 Land Use (expressed as building use)

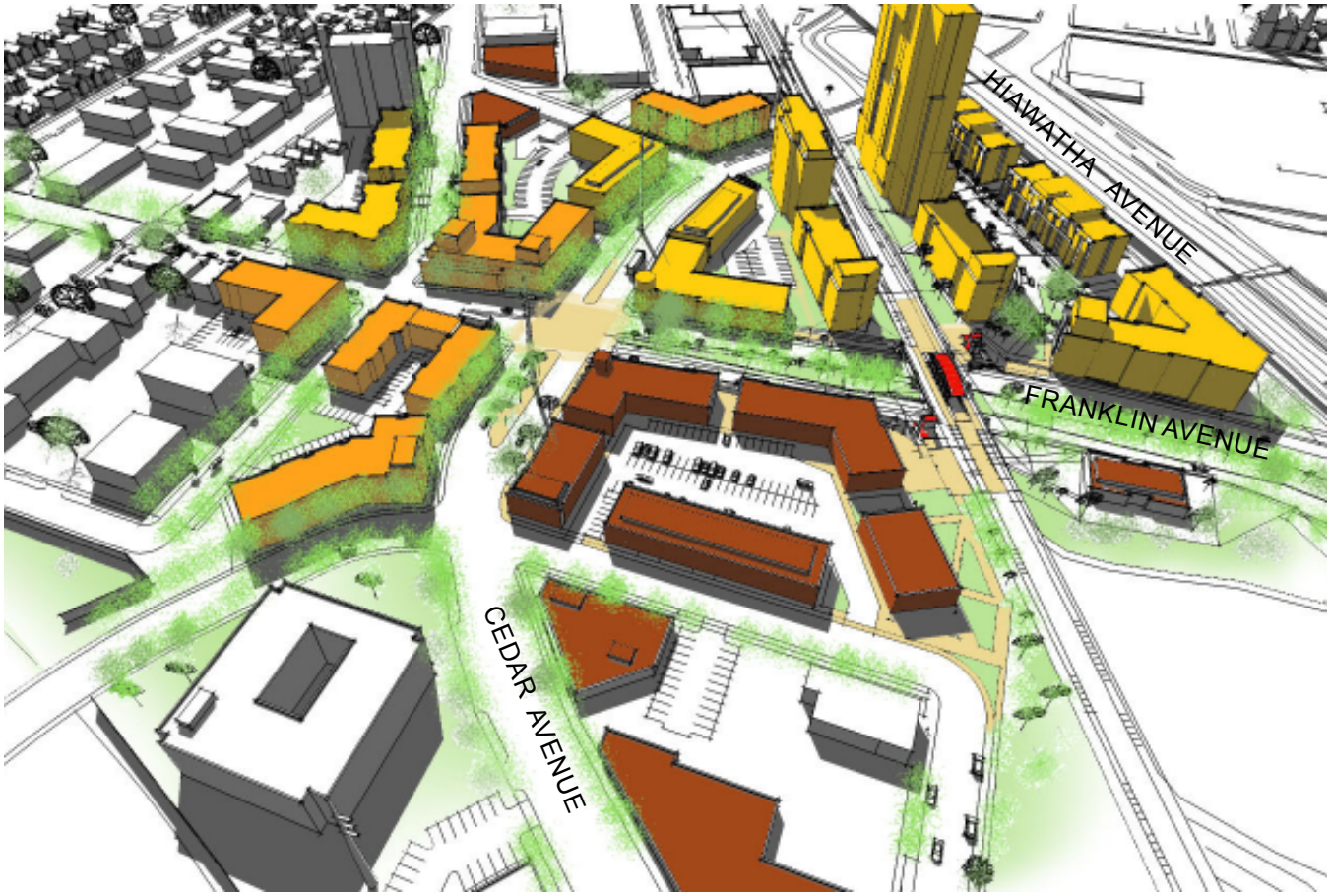
When viewed from the northeast, the staion area focuses on the LRT station while bringing new street life to Franklin and Cedar Avenues with retail spaces and clear pedestrian routes to the station. New street and center boulevard trees will help to soften building masses.

Note how the plan calls for bringing building facades up to the sidewalk to define clearly street volumes and urbane outdoor spaces. Streets should be thought of as urban spaces that can be densely planted for shade and color.

Residential

Mixed-Use

Single Use - Retail or Office or Cultural



4.2 Annoted Illustrations: Massing, Scale Density, Form

View to North

Residential

Mixed-Use

Single Use - Retail or Office or Cultural

Overview Looking North

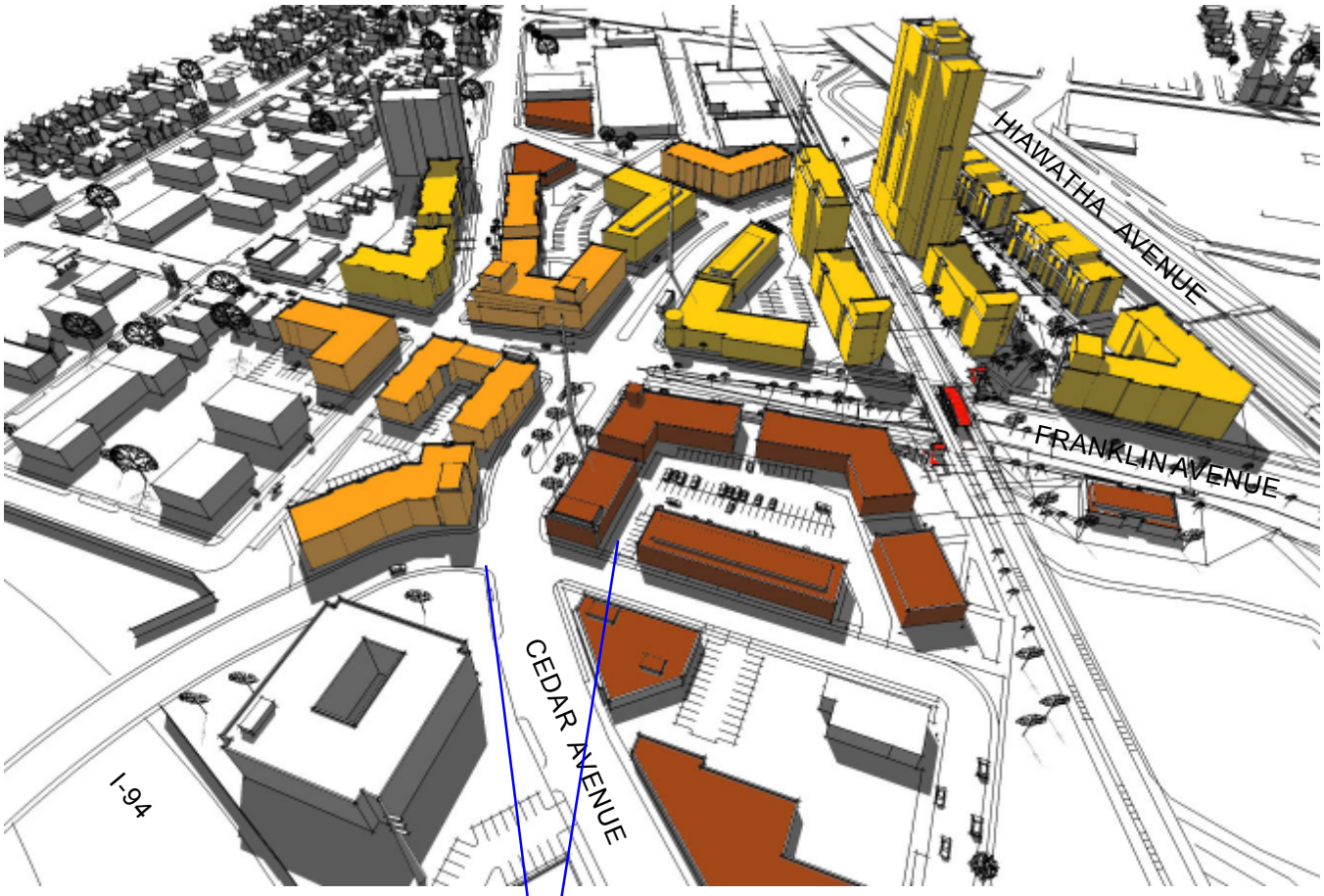
4.2 Annoted Illustrations: Massing, Scale Density, Form

View to South

Residential

Mixed-Use

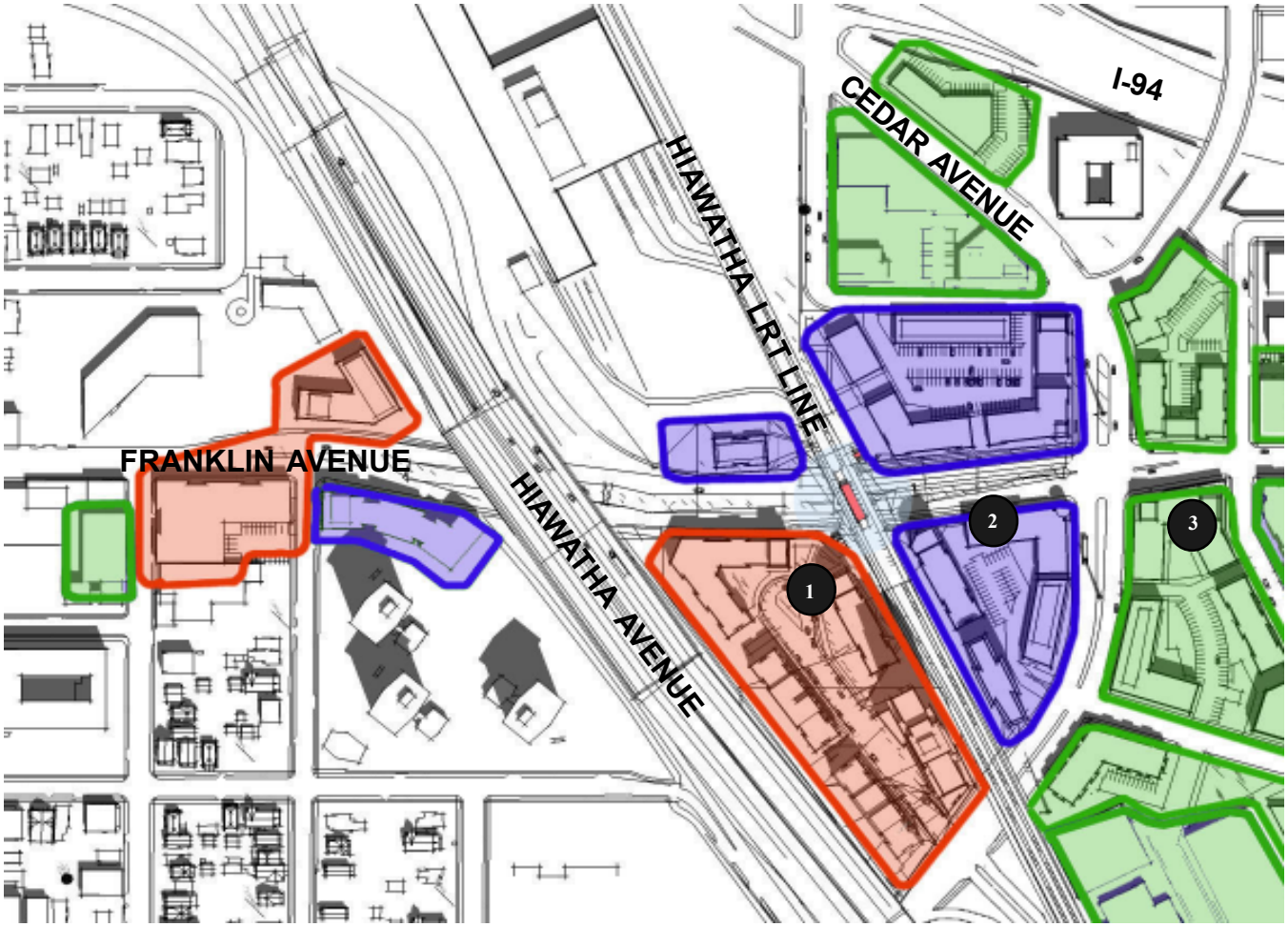
Single Use - Retail or Office or Cultural



Overview Looking South

The plan calls for improved connections between the Augsburg College/ West Bank area and the LRT station. As shown here from the north, the plan recommends improved pedestrian crossings on Cedar Avenue and a permeable site plan for the entertainment area in Precinct 3 to allow visitors to flow back and forth to the station.

4.3 Development Phasing



Phase 1

Phase 2

Phase 3

This plan assumes that redevelopment of the area will be phased over the next 20 years. It is important however, that a major series of efforts take place as soon as possible to build a market and to bolster confidence in the development community. The phasing shown below indicates a plausible sequence of events beginning with areas shown in red, followed by the blue and finally the green areas.

This expectation by no means precludes development from occuring in a different order, sequence or intensity. Rather, this scenario is shown based on current market research and immediate opportunities for specific building types. These use mixes are subject to change with future market realities. Yet, the urban design and Transit-Oriented Development principles that underlie this plan should continue to inform open space connections, street vitality, buidling massing and street scale.

4.4 Traffic and Infrastructure

Summary

Traffic/Transportation

- Realign Minnehaha at Franklin Avenue

- Construct new street connecting Minnehaha and Cedar

Parking

- Parking for the entire development is calculated at 2,550 total required parking stalls. The parcels have been tested to accommodate approximately 450 surface parking stalls and 2,100 structured parking stalls.

Streetscape

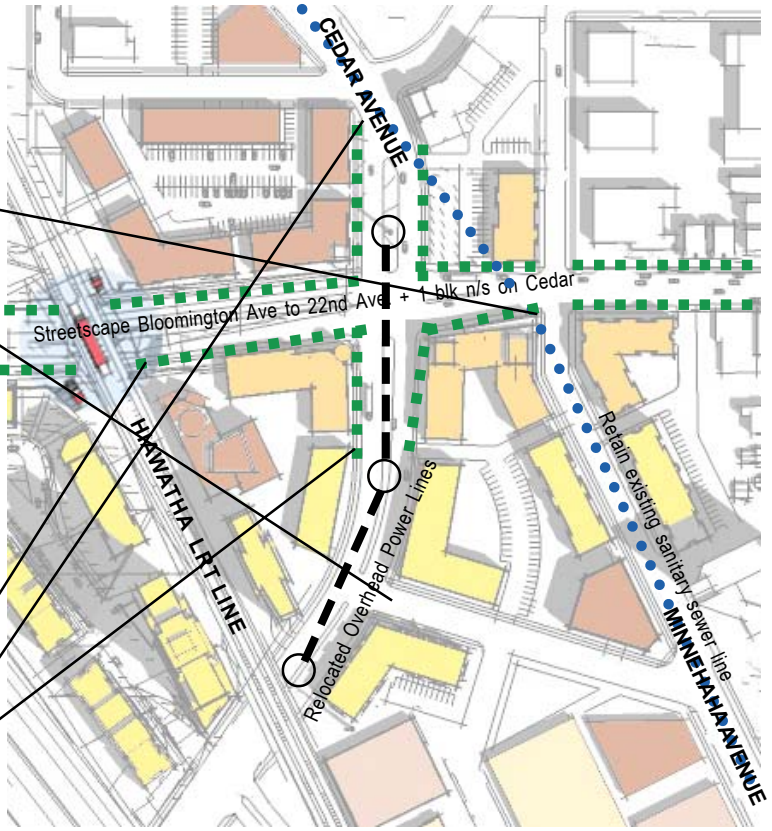
- Streetscape Design and Implemenation on Franklin Avenue

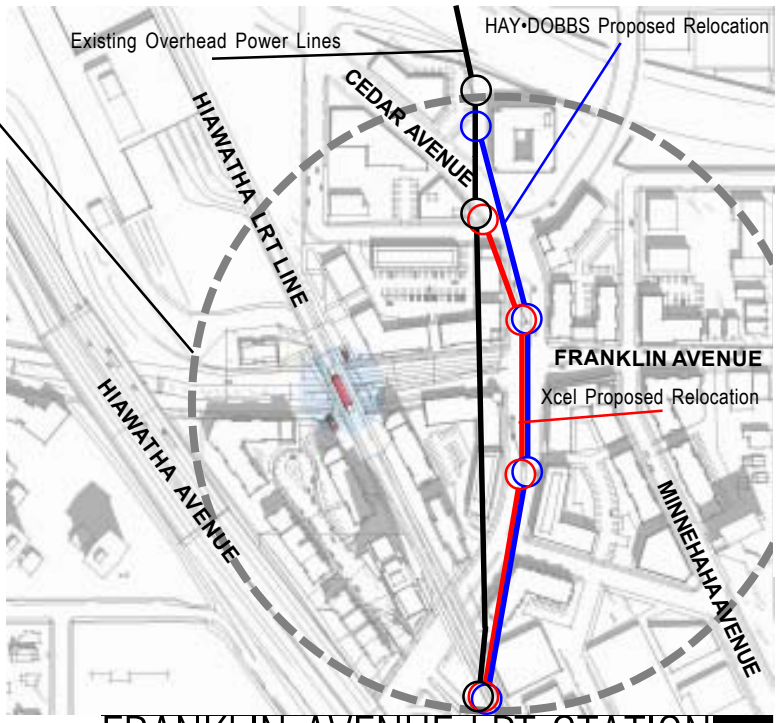
- Streetscape Design on Cedar one block from Franklin

Utilities

- Relocate Overhead Powerlines to center of Cedar Avenue

- Retain access to Sewer Line under Minnehaha and Cedar





4.4 Traffic and Infrastructure (continued)

(A full-version of this text and its references appears in the attached Transportation Analysis by Meyer Mohaddes Assoc.)

Under the Plan, several changes in the street network and block pattern would occur. The basic framework of Cedar and Franklin Avenues would remain in place, but Minnehaha Avenue north of Franklin Avenue would be realigned to eliminate the intersection with Cedar Avenue. This change would allow for a larger developable area on the block bounded by Minnehaha, Franklin, Cedar and 20th Street.

To accommodate the traffic movements that use the Minnehaha/Cedar intersection, 22nd Street would be realigned to connect between Minnehaha and Cedar Avenues south of Franklin Avenue. This change, coupled with relocation of the high voltage transmission line (see below) would provide for a full intersection on Cedar south of Franklin that would also provide access to the AIOIC parcel that has frontage on Cedar and Franklin. The sewer line that runs under this segment of Minnehaha Avenue would be retained in its existing location.

The change in Minnehaha would also allow for 9th Street to be realigned west of Cedar to provide a full intersection with 20th Avenue. This change would move 9th Street south of its current location, which would provide for a larger developable area on the block bounded by 9th Street, Cedar Avenue and Old Cedar.

Under the Recommended Plan, the basic four-lane cross section on Franklin would be necessary on the east and west approaches to the intersection with Cedar Avenue to maintain acceptable traffic operations in the future. To the west of Cedar intersection, Franklin would transition to a two-lane cross section near the LRT overpass, which is consistent with the three-lane cross section in the vicinity of Bloomington Avenue. East of Cedar, Franklin would transition to meet the existing cross section at Minnehaha Avenue. Traffic speed on Franklin Avenue in the underpass area would be moderated by narrowing the travelway on Franklin between the LRT overpass and Bloomington Avenue through the incorporation of parallel parking and curb extensions and the elimination of turn lanes at the intersection at the access to the LRT yards and shops.

Reconstruction of the intersection to the LRT yards and shops would be possible under the Plan, since the Plan eliminates Old Cedar south of Franklin and consequently removes one leg of the existing intersection with Franklin near the Hiawatha overpass. This change would allow for an improved transition to the LRT grade level for pedestrians at the yards and shops intersection, through terracing, stairs or ramping.

The internal street that exists in the Cedar Box/Ambles block would be retained, as would the intersection of this street with Cedar Avenue, to provide access for this block. The north end of this internal street would be incorporated into a direct pedestrian connection to the LRT station and connected to Franklin Avenue via terracing or ramping.

Relocating the high voltage transmission line towers to the median of Cedar Avenue would allow the frontage along Cedar from realigned 22nd Street to 9th Street to be used as developable area. The Plan accomplishes this north of Franklin Avenue by removing 19th Avenue and the

frontage road on the north side of Franklin to expand the developable area of the block north of Franklin. Part of the space created along the north side of Franklin by this change would be used for a direct pedestrian connection to the LRT station at the grade level of the intersection with Cedar.

The pedestrian network in the station area would be integrated into an identifiable system with a uniform level of streetscaping, both at street level on Franklin and Cedar and on the direct connections at the LRT grade level.

Analysis of the Plan indicates that the proposed land uses would generation approximately 1,400 new PM peak hour trips. This level of activity is similar to the 1,300 new trips generated by the *TOD Master Plan* previously developed for the station area. The directionality of travel with the Plan would be expected to be evenly dived between inbound and outbound movements during the peak hour, which would be more balanced than under the previous plan.

The increased traffic generation from the Plan would require the addition of an exclusive northbound right turn lane and an exclusive southbound left turn lane at the intersection of Cedar and Franklin Avenues. With these two additional turn lanes, the future Level of Service is anticipated to achieve an acceptable LOS D. Other intersections in the station area would be expected to operate in the future at a similarly acceptable Level of Service.

With the added turn lanes on the north and south approaches, the lane pattern on both approaches at the Cedar/Franklin intersection would be a right turn lane, two through lanes, and a left turn lane. While the added turn lanes would be necessary for vehicular traffic, they could cause conditions for pedestrians to deteriorate by widening the crossing distance and potentially introducing faster moving turning traffic at the crosswalks across Franklin. Design of the right turn lanes at the intersection would be consistent with low-speed urban conditions rather than using large radius channelized turn lanes.

4.5 Parking

Parking was an important consideration in deriving the appropriate mix and quantity of land use for the development program. A parking analysis was conducted for the mix of residential, office, and retail uses included in the Plan. The parking analysis was conducted on an individual block level detail for the entire study area. A shared parking methodology was used to determine the parking needs for study area. Reductions were made to the gross parking demand to reflect the use of other modes (walking, biking, and transit) in a TOD development. The analysis did not consider any reductions for residential uses in the development on the basis of market realities with regard to the early nature of the TOD plan. It should be noted that further reductions to the estimated parking demand may be possible depending on the extent of transit usage by residents.

It is estimated that the peak parking demand will occur at midday for the entire study area. The analysis indicates that approximately 2,140 parking spaces will be required across the entire study area, if the daily variation of parking demand is not considered between various uses. If all the parcels in the development are assumed to function as a single unit with sharing of spaces between various parcels, then approximately 1,950 parking spaces need to be provided to meet the peak demand.

The parking supply for the station area has been tested on a parcel basis and found to accommodate approximately 450 surface parking stalls and 2,100 structured parking stalls.

4.6 Building Types

4.6.1 Building Heights and Articulation

ILLUSTRATIVE ELEVATIONS

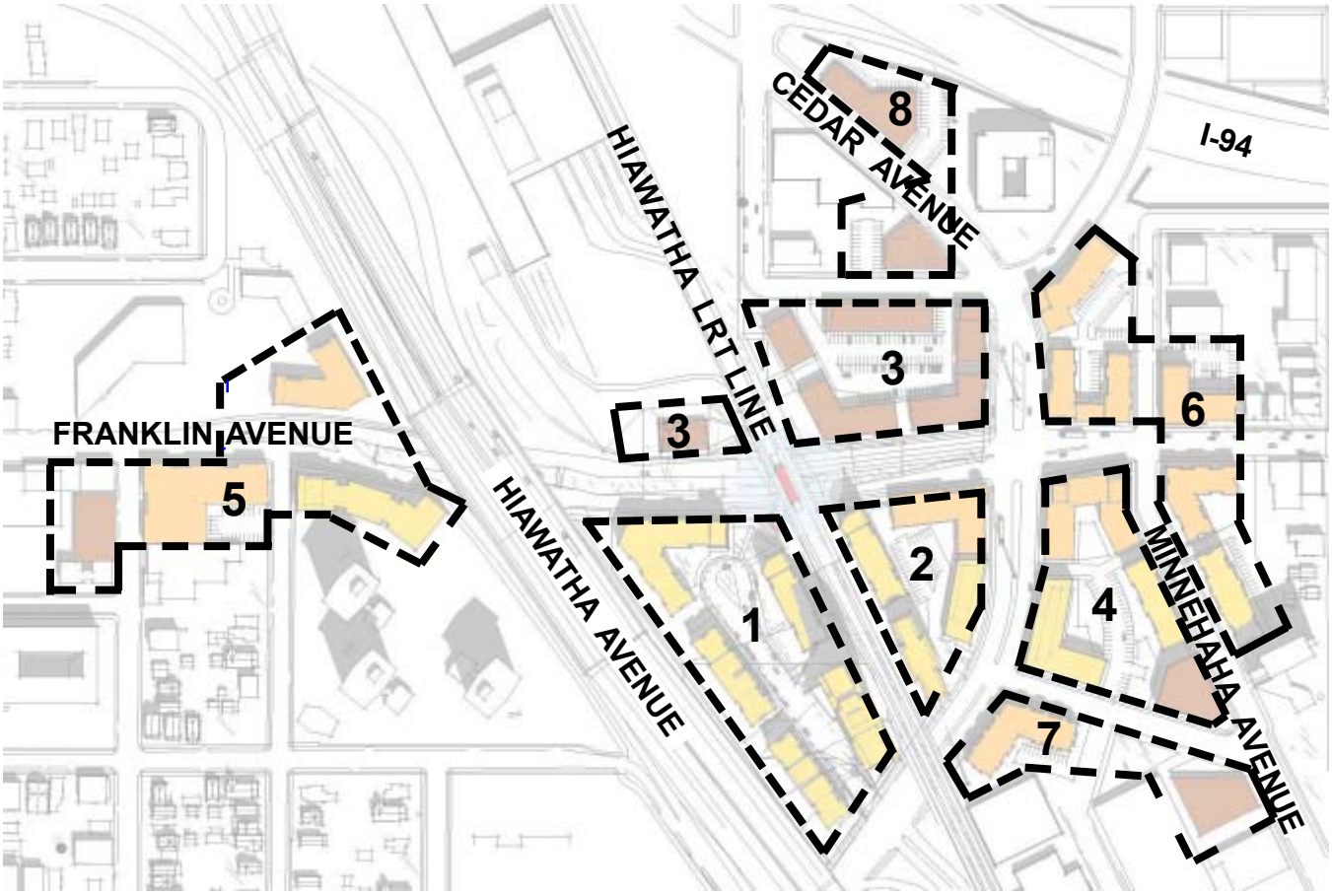
These sample illustrative elevations describe a range of architectural possibilities that could be developed in compliance with the recommendations herein for many of the precincts in the station area.

The intent of the recommendations for the district are to allow architectural creativity within the context of neighborhood expectations. Additionally, it is imperative that the ground floor uses be accessible, transparent and participatory to animate and enhance the pedestrian experience. Ground floor activities should include retail, restaurant, civic, service or community uses. Upper floors should be largely office or residential use.

5.0 Precinct Development Concepts

5.1 Precinct and Phasing Overview

This section builds on the design and planning ideas contained in the illustrative plan and the land use plan. This section provides a detailed explanation of the massing, land use and parking for each parcel as designated in the Development Implementation Plan. Parcels are intended to contain their own parking or planned in tandem with parking nearby. Phasing will occur largely by parcel, with three phases of implementation noted.



PRECINCT NUMBERS

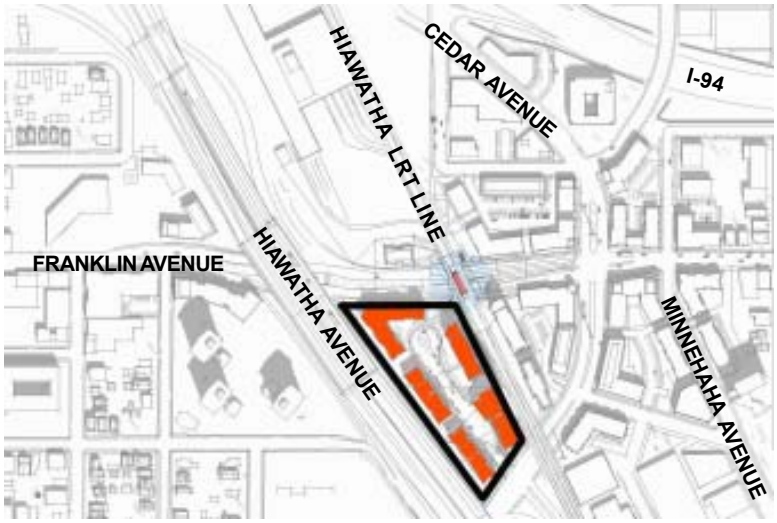
N

0 50 100 200 FT

5.2 Precinct 1

Phase: 1

5.2.1 Precinct Plan and Land Uses



View from north across Franklin Avenue.

Direct LRT connection and link to Franklin Avenue.

Currently the site of industrial warehousing uses, Precinct 1 is also the closest to the Franklin LRT Station. For this reason, its development is a high priority within the larger plan. A visible housing project on this site can help to transform perceptions of the Station Area as a new urban village. The precinct is slated for mid-rise residential development with small ground floor retail spaces to serve the daily needs of residents and LRT riders. Small businesses might include dry cleaners, a coffee shop and convenience store.

To maximize investment on the site, a 23 story residential tower is proposed for the south end of the site fronting on Cedar Avenue and the LRT line. The tower will offer alluring views of the downtown skyline, the University of Minnesota and the river valley.

Mid-rise residential buildings of about 160-200 feet in length will buffer the interior space that will act as a public plaza that offers front door access to the entire precinct. The northern end of the precinct interior is shaped by four story buildings that frame a green space connection directly to the LRT stop. This link will also include an overlook and stair connection with Franklin Avenue to the south.

The precinct is planned for about 400 1-3 bedroom units averaging 1100 sf. Underground parking is planned for 550 cars with 50 surface spaces. This parking count yields a 131 space surplus that may be shared with Precincts 2 and 3.

5.2 Precinct 1

5.2.1 Precinct Plan

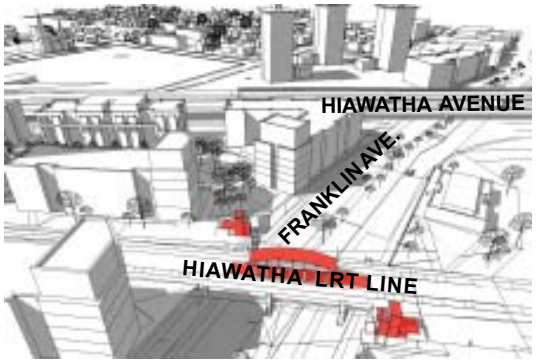
View looking south across Franklin Avenue.

LRT Stairs seen across Franklin

View of the downtown skyline visible from the precinct.

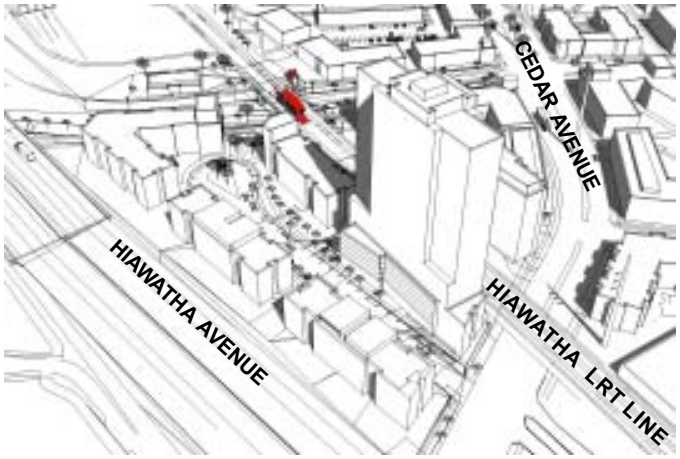
5.2 Precinct 1

5.2.2 Massing, Scale, Density & Form



View looking west along Franklin Avenue showing the direct access of Precinct 1 to the LRT Station.

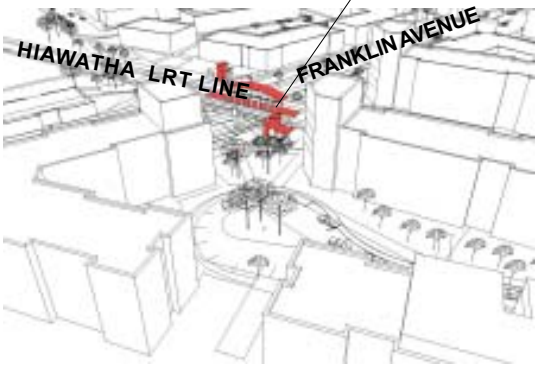
View looking southeast showing the relationship of the tower to the LRT line and the semi-public court framed by proposed buildings.



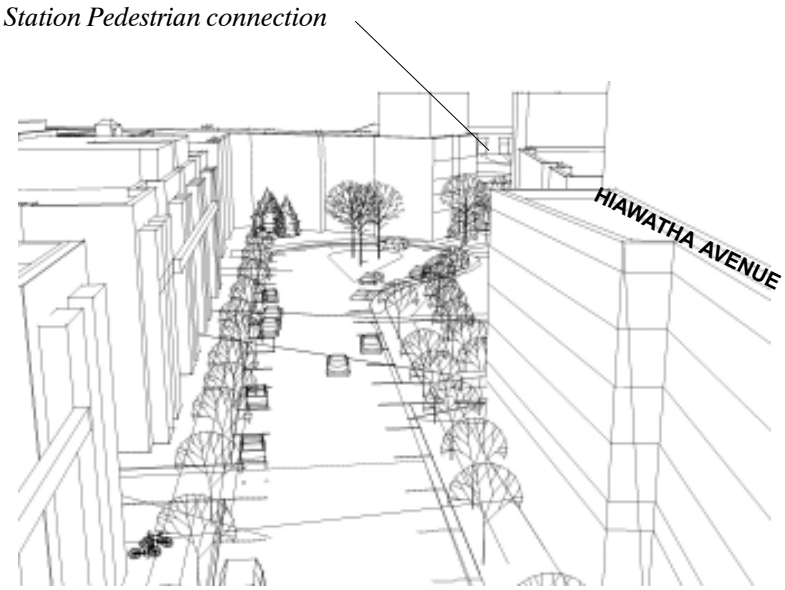
This overhead view looks northeast to illustrate the southern entry to the Precinct's central court and the architectural response to the drop in grade of Cedar Avenue as itpasses under the LRT line.

5.2 Precinct 1

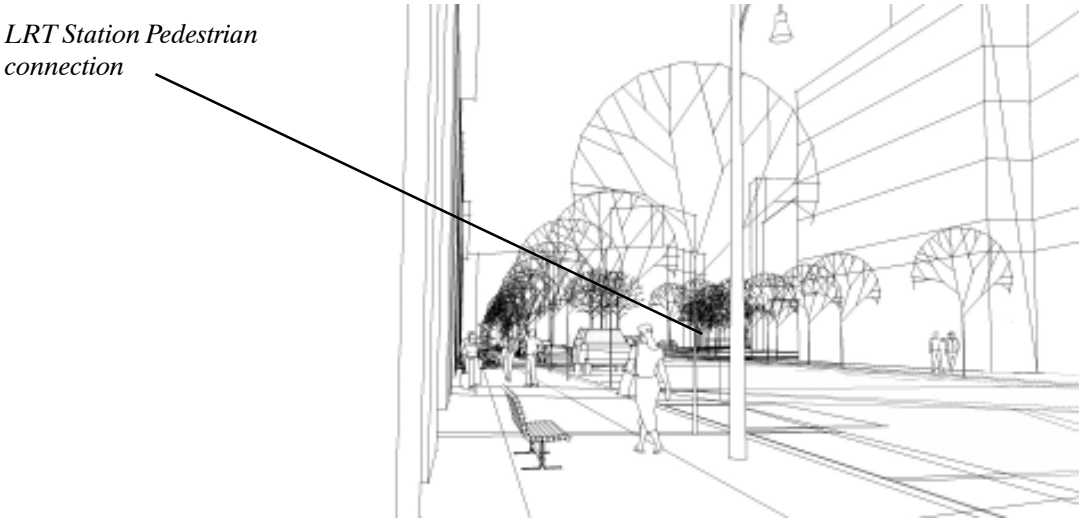
5.2.2 Massing, Scale, Density & Form



Perspective view looking northeast.



Perspective view looking north towards Franklin Avenue along Precinct 1's court. Connection to the LRT Station occurs at upper left.



Street-level view of the experience of walking north along the court towards the LRT Station connection.

5.2 Precinct 1

5.2.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	**3.78**
Required Parking	**459**
Available Parking	**590**
Surplus/ (Deficit)	**131**
Gross SF	**650,200**
# Housing Units	**402**
Est. Precinct Project Cost*	**$163.8 million**

***This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.**

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)

Refer to 5.1 - Precinct and Phasing Overiew

5.2 Precinct 1

5.2.4 Associated Public Infrastructure Costs*

$1,498,500

* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

5.2.5 Phasing

This precinct is intended as a first phase development that may well be packaged in tandem with Precincts 2 and possibly 3. While development of this precinct alone would not exceed existing housing demand, its financial feasibility would be greatly enhanced by developing it as part of a four-quadrant plan. Like recent residential development in the Elliot Park neighborhood, a tower can transform the residential character of a neighborhood to create a new market for adjoining parcels.

Precinct 1 is anticipated to be developed in Phase I

5.3 Precinct 2

5.3.1 Precinct Plan and Land Uses

Precinct 2 is a triangular parcel bounded by the LRT line on the east, Cedar Avenue on the northwest and Franklin Avenue to the south. The precinct is planned for mixed use four and five story buildings along Cedar Avenue, a four story building at Franklin Avenue and the LRT line and an eight story building at the junction of the LRT line and Cedar Avenue to the south. This tower will balance the 23 story taller tower in Precinct 1 to the west across the LRT line.

Currently occupied by the AIOIC, this precinct's planning should include direct involvement of this organization. With possible reconfiguration of AIOIC facilities or a land trade for a new site to the south in precinct 7, the benficial role of this organiztion for the community should be strengthened.

The goal of the massing, uses, and layout of Precint 2 is to anchor the intersection of Franklin and Cedar Avenues with a welcoming "beacon" of activity and street level retail. The plan also seeks to provide grade transitions along Cedar Avenue as it drops to a low point beneath the LRT line.

The precinct provides an excellent connection to the north-south bike trail that parallels the LRT line and the residential buildings at the precinct's west edge.

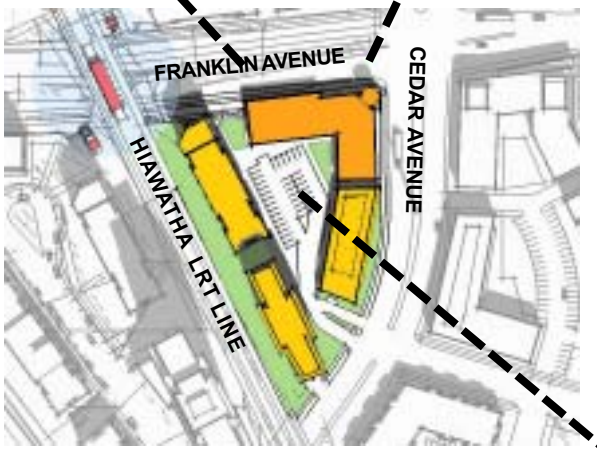
The plan calls for roughly 130 1-3 bedroom housing units along with 15,000 gsf of street level retail. There are a projected 300 parking stalls of which 224 are underground. A projected 41 space deficit can be met by the parking surplus of Precinct 1.

5.3 Precinct 2

5.3.1 Precinct Plan and Land Uses

View looking south across Franklin Avenue.

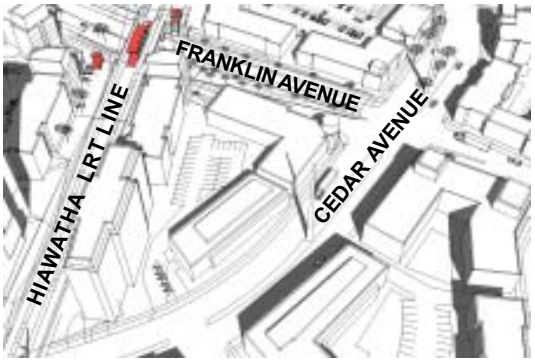
View from the current AIOIC site looking east along Franklin Avnue. The significant drop in the street is visible here. Commercial and office are slated for the Cedar/Franklin corner.



View looking north across Cedar Avenue into the current AIOIC site.

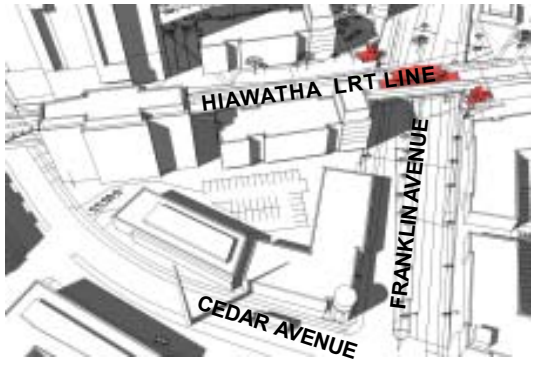
5.3 Precinct 2

5.3.2 Massing, Scale, Density & Form

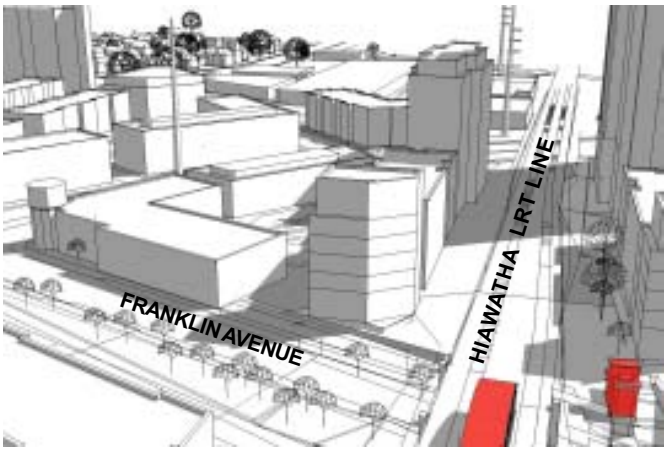


View looking northeast showing the close proximity of Precint 2 to the LRT Station with direct access from Cedar and Franklin Avenues.

View looking looking west down Franklin towards the "Prime Intersection" of Cedar and Franklin. Note building heights and build-to lines support pedestrian safety and ground floor uses.



This overhead view looks slightly to the west showing the entry to the precinct from Cedar Avenue and its relationship to the LRT station.



View to the southeast showing the massing relationship of Precint 2 to the LRT line and Franklin Avenue. Retail uses serve as a beacon at the Cedar/Franklin Intersection shown to the left.

5.3 Precinct 2

5.3.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	**2.36**
Required Parking	**300**
Available Parking	**258**
Surplus/ (Deficit)	**(42)**
Gross SF	**242,800**
# Housing Units	**224**
Est. Precinct Project Cost*	**$61.9 million**

***This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.**

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)

Refer to 5.1 - Precinct and Phasing Overiew

5.3 Precinct 2

5.3.4 Associated Public Infrastructure Costs

$557,500

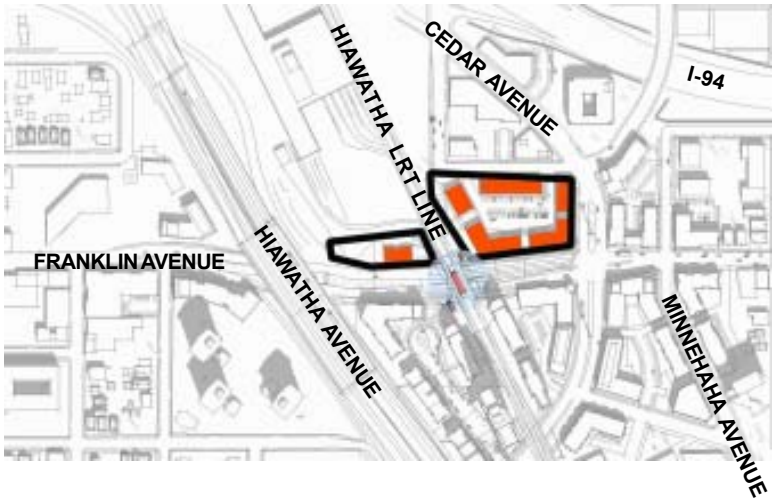
* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

5.3.5 Phasing

Precinct 2 is anticipated to be developed in Phase 1 or 2

5.4 Precinct 3

5.4.1 Precinct Plan and Land Uses



Located just to the north east of the LRT Station, Precinct 3 is envisioned as a unique entertainment/retail node that builds on existing destination attractions including Whiskey Junction and The Cabooze. Both businessrs draw visitors from throughout the region and are located within sight of the LRT Station. There are also prominent motorcycle related businesses in the precinct that serve as destinations for biker interest groups. Taken together, these businesses build a critical mass for future dinner theater, restaurant, bar and retail uses that can be designed to front directly onto Cedar Avenue, Franklin Avenue and the LRT line at the station.

With the commercial buildings pushed out to the precinct's edge, a central parking court will accommodate 101 surface parking spaces. Because of significant grade drop-offs to the south along Franklin, this area will also accommodate deliveries with service doors located at the front of each business. Because the Franklin grade drops significantly to accommodate the LRT bridge, the site offers the possibility for a south facing terrace for patrons that will overlook the LRT station and attractive new residential and commercial development to the south. This terrace can also provide a walkway connection directly from the station east to Franklin and Cedar.

As an entertainment hub, the central parking court can serve as an outdoor venue for concerts with a variety of possible temporary stage locations for AIOIC and neighborhood events.. A strong passage way linking the parking court to the south terrace overlooking Franklin is created by opening a gap in the buildings.

Across the LRT line to the west, steep grades to Franklin at the Metro Transit facility preclude vehicular access. Such a site is suited for a potential community garden overlooked by a newsstand and coffee shop and seasonal terrace. This area could also serve seasonal kiosks and farmer's markets. The sidewalk moving westward to the stairs down to Franklin should be strengthened with benches, planting and lighting for night safety.

Augsburg College Access to Station

Designed for entertainment and commercial venues, Precinct 3 is located in a highly visible area between Cedar Avenue and the LRT Station. Pedestrians walking from Augsburg and the West Bank Area will likely pass though this area. When implemented, the design should include clear signage, openings and potential sight lines towards the LRT corridor so that the precinct serves as a gateway from 20th Ave. It is not recommended that a path be built directly through the parking lot at the center of the precinct. Rather, as in many successful commercial areas such as 50th and France, pedestrians should be guided around well-detailed and transparent buildings with a clear sense of destination.

5.4 Precinct 3

5.4.1 Precinct Plan and Land Uses

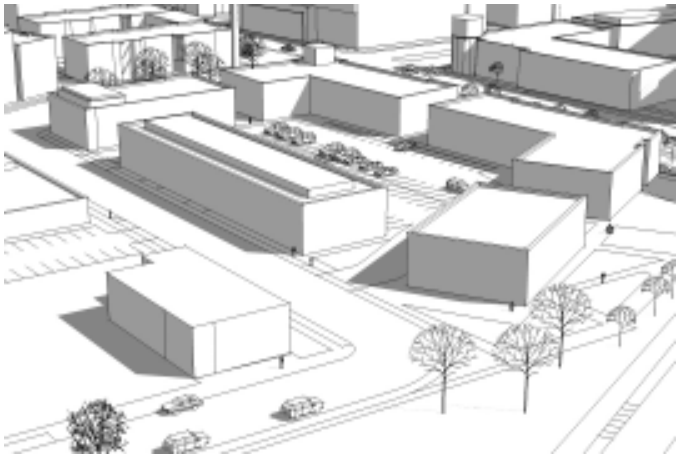
The existing entertainment hub to the north of Precinct 3.

View looking east into the convenience store site and the LRT station.

View looking north across Franklin Avenue showing a potential terrace site for bars and cafes in Precinct 3.

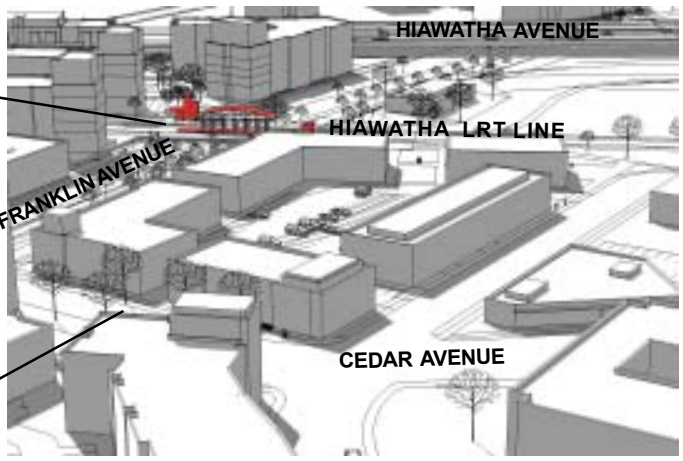
5.4 Precinct 3

5.4.2 Massing, Scale, Density and Form



View from the northwest towards Cedar Avenue. The LRT line is in the foreground at right. Note the scale of the enclosed parking lot and its potential for special events.

Franklin Avenue LRT Station

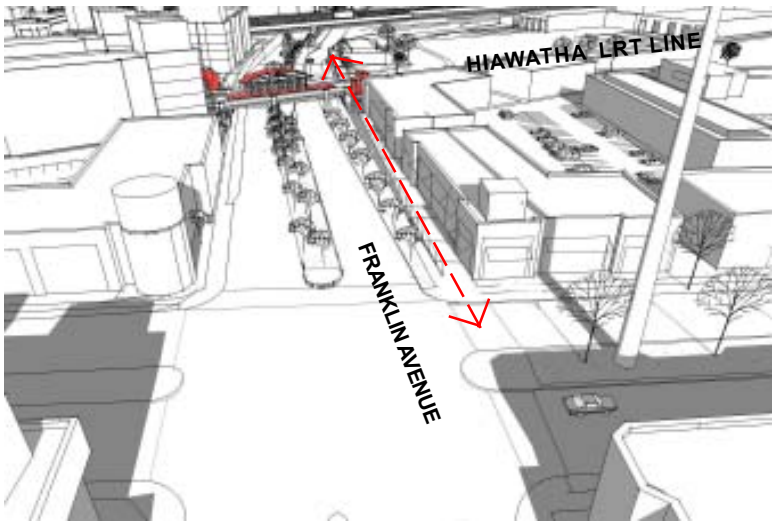


View from the northeast showing this retail/entertainment precinct's central location at the juncture of Cedar and Franklin Avenues.

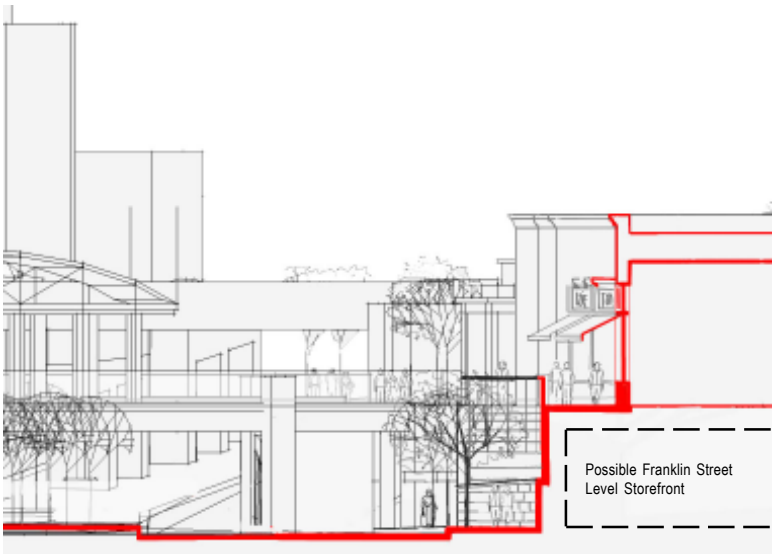
Site of entry to Cedar Avenue. This connection will help to enliven the intersection and facilitate pedestrian movement thorough the precinct.

5.4 Precinct 3

5.4.2 Massing, Open Space, Density and Form



View of south edge of Precinct 3 illustrating the potential pedestrian connection to the LRT station by maintaining the Cedar Avenue elevation.



Partial section through Franklin, looking west from Cedar. This section illustrates the proposed upper level pedestrian and terrace connection between the LRT platform and the Cedar/Franklin Intersection along with a possible Franklin level storefront.

5.4 Precinct 3

5.4.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	**4.98**
Required Parking	**192**
Available Parking	**101**
Surplus/ (Deficit)	**(91)**
Gross SF	**56,000**
# Housing Units	**0**
Est. Precinct Project Cost*	**$13.7 million**

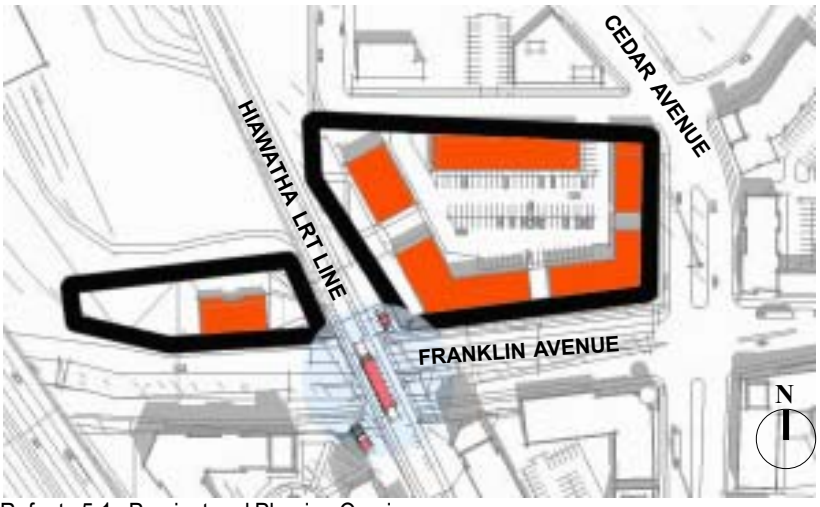
***This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.**

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)

Bikes, Music and City Color

In Minneapolis, urban character and specialization show up in surprising places. Although the ZVA study of 1999 concluded that there were no regional attractions in the Franklin LRT Station area, there are actually concentrations of some of the Twin Cities' most vibrant music bars and motorcycle-related shops.

With strong colors, bright signs and street events, these businesses set a critical mass to attract more entertainment venues in this precinct and in Precinct 3 to the south. Although seemingly constricted by I-94, the LRT line and the massive scale of Cedar and other streets, this precinct can be planned for greater variety, color and life that does not detract from neighboring uses.



Refer to 5.1 - Precinct and Phasing Overiew

5.4 Precinct 3

5.4.4 Associated Public Infrastructure Costs

$129,000

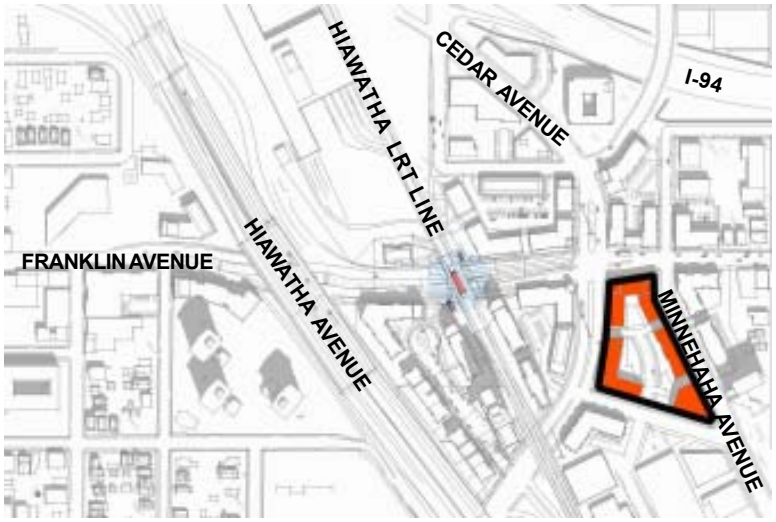
* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

5.4.5 Phasing

Precinct 3 is anticipated to be developed in Phase 1 or 2

5.5 Precinct 4

5.5.1 Precinct Plan and Land Uses



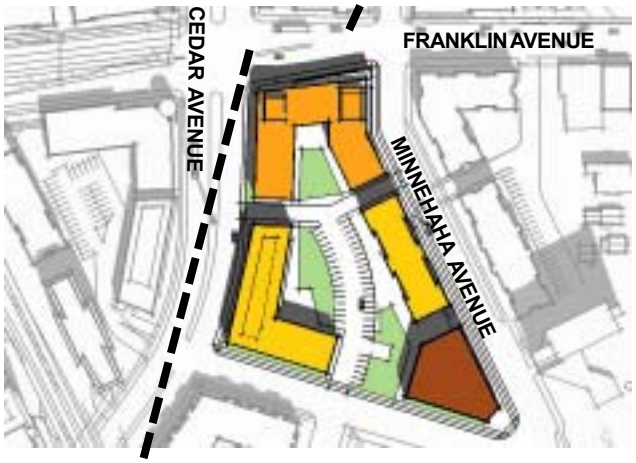
Precinct 4 is bounded by Cedar on the west and Franklin to the north. Site 4A located on the south side of Franklin and framed by Minnehaha and Cedar Avenues is planned to serve ground level retail with two stories above for offices. Sites 4B and 4D are three-story residential. To the southeast on Minnehaha Avenue, the triangular tip can be used for educational, retail or institutional purposes.

This precinct is planned for 76 housing units with 422 parking spaces, of which 380 are underground. . They will also support the 37,000 sf slated for office uses and the 39,000 sf planned for street level retail.

5.5 Precinct 4

5.5.1 Precinct Plan and Land Uses

View across Franklin Avenue looking south into Precinct 4.

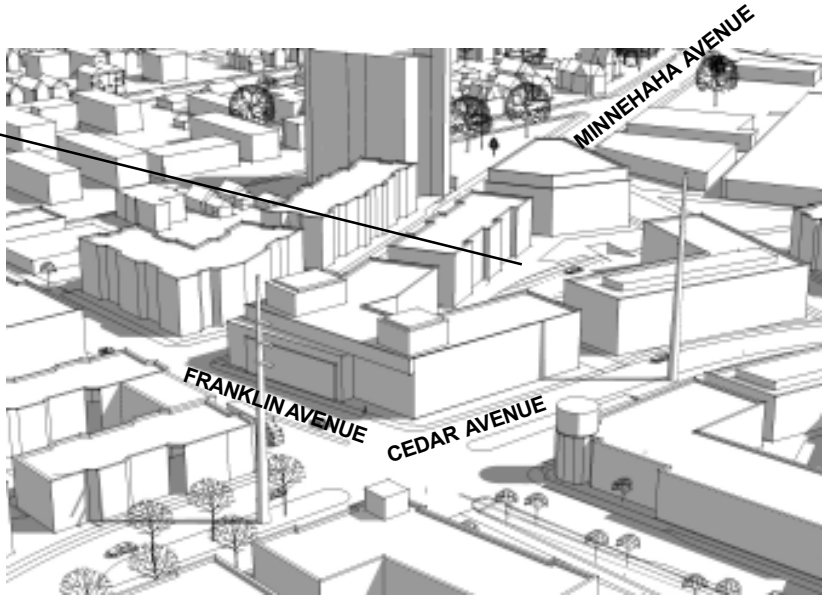


View looking north showing Precinct 4 on the right.

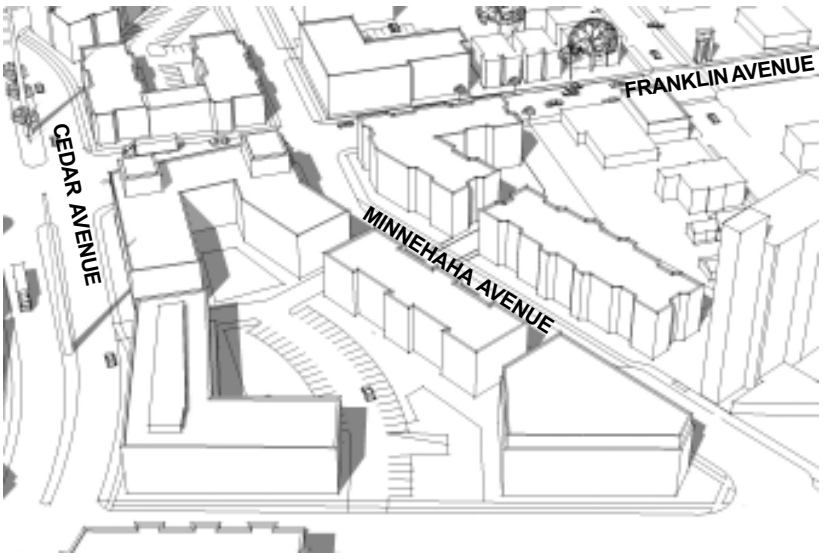
5.5 Precinct 4

5.5.2 Massing, Open Space, Density and Form

Central Court for visitor parking and open space.



View from the northwest across the Cedar/Franklin intersection. New housing is sited to frame the streets with a semi-public court at the center of the precinct.



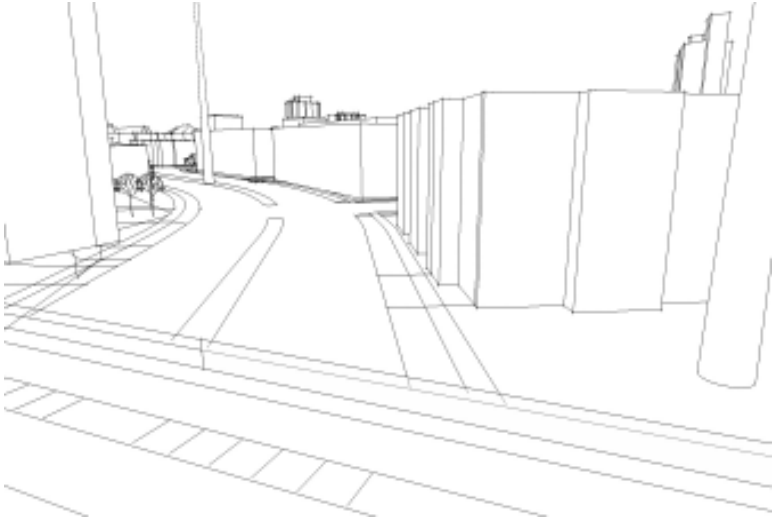
View to the north showing Cedar Avenue on the left and the south entry to the site.

5.5 Precinct 4

5.5.2 Massing, Open Space, Density and Form

View looking north on “New Minnehaha.” Note how proposed bend in the street creates a visual termination and transition to the residential areas north of Franklin. Building heights and setbacks support pedestrian activity and keep eyes on the street for safety and vitality.

View west down Franklin Avenue with Precinct 4 to the left (south).



View from LRT overpass over Cedar avenue looking northward towards Franklin Avenue. Precinct 4 is to the right.

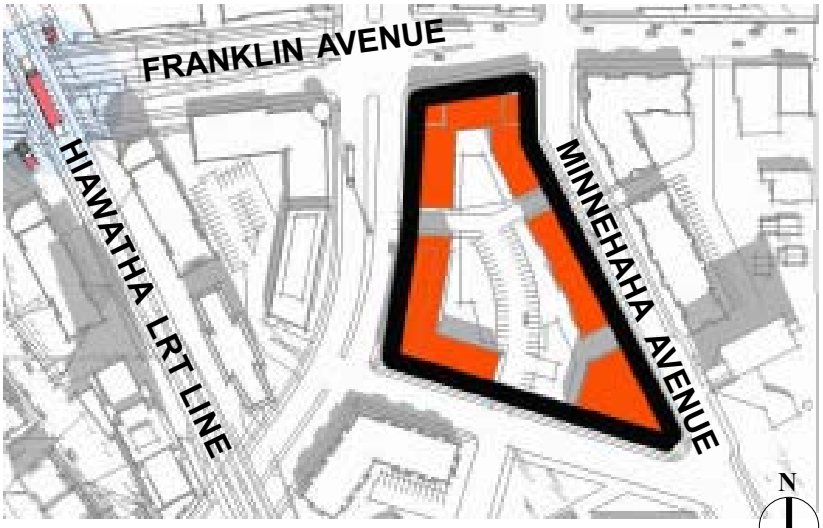
5.5 Precinct 4

5.5.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	3.42
Required Parking	422
Available Parking	286
Surplus/ (Deficit)	136
Gross SF	115,400
# Housing Units	76
Est. Precinct Project Cost*	$30.7 million

*This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implmentation Plan Quantity Takeoffs)



Refer to 5.1 - Precinct and Phasing Overiew

5.5 Precinct 4

5.5.4 Associated Public Infrastructure Costs

$266,000

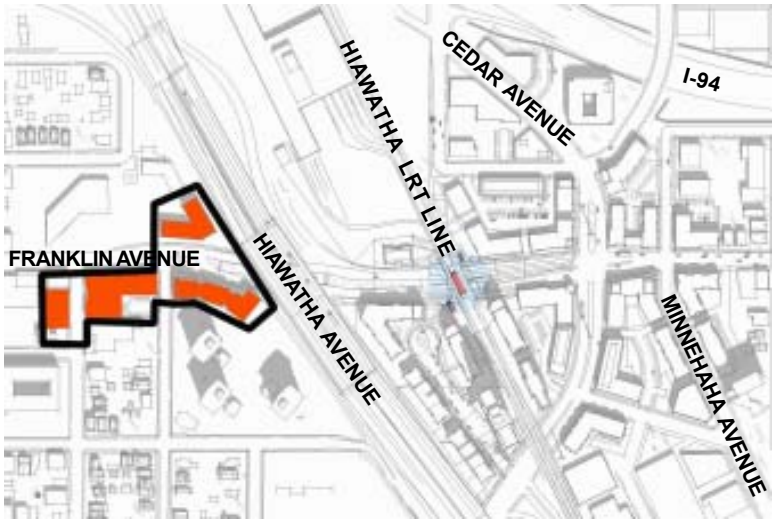
* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

5.5.5 Phasing

Precinct 4 is anticipated to be developed in Phase 3

5.6 Precinct 5

5.6.1 Precinct Plan and Land Use



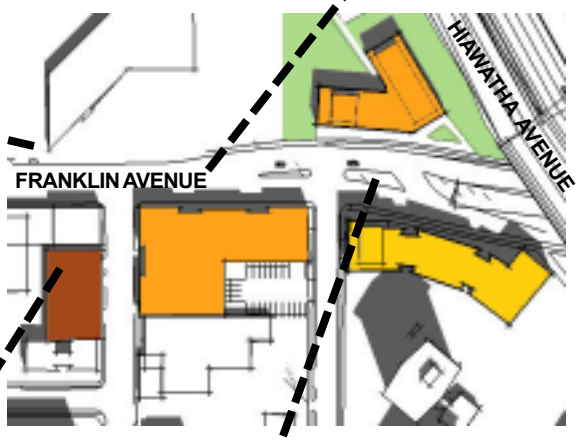
Precinct 5 includes two currently planned projects that are underway on sites 5A and 5C. They are a University clinic on 5C and a 30-unit residential project planned for 5A to the north of Franklin with a small retail component. The clinic project may also include two stories of residential units above in accordance with stated neighborhood preferences. Site 5D, currently an open space between buildings, is designated for office use.

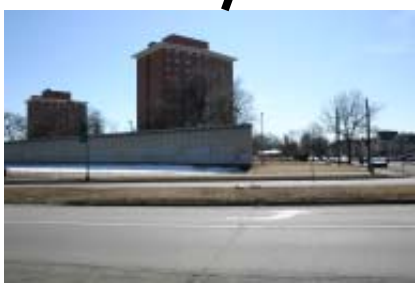
5.6 Precinct 5

5.6.1 Precinct Plan and Land Use

Parcel 5C will frame the south side of Franklin with the expanded clinic and potential housing above. Parking will be to the rear.

View east along Franklin showing the seam with the existing neighborhood and recent housing development.



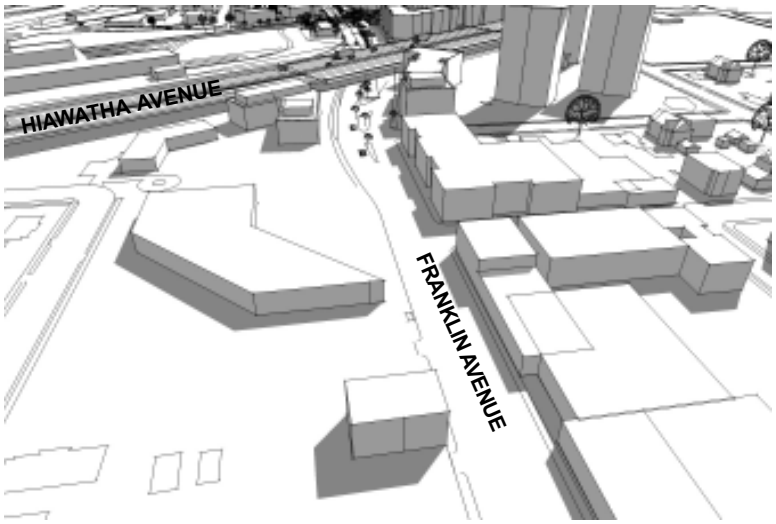


Slated for housing, parcel 5B viewed across Franklin Avenue.

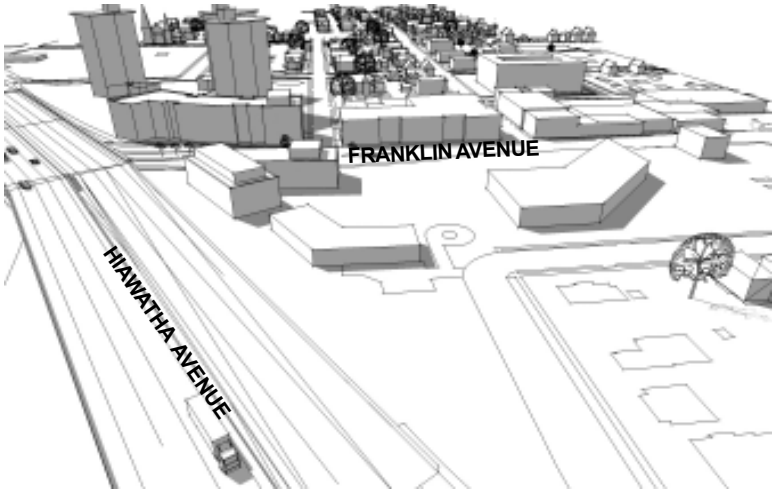
Potential office develpment parcel 5D as seen from Franklin Avenue.

5.6 Precinct 5

5.6.2 Massing, Open Space, Density and Form



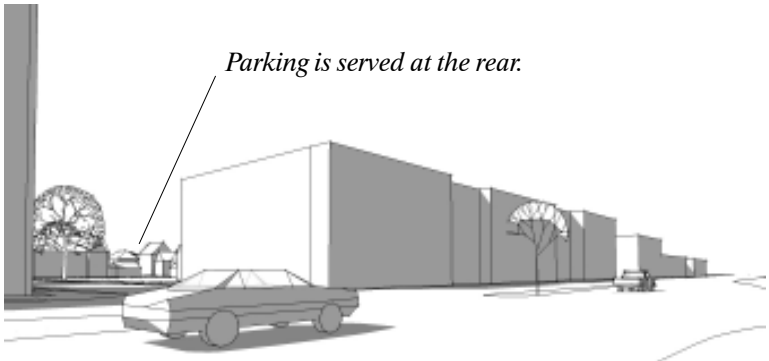
View looking east along Franklin Avenue showing the continuous building wall created by infill development.



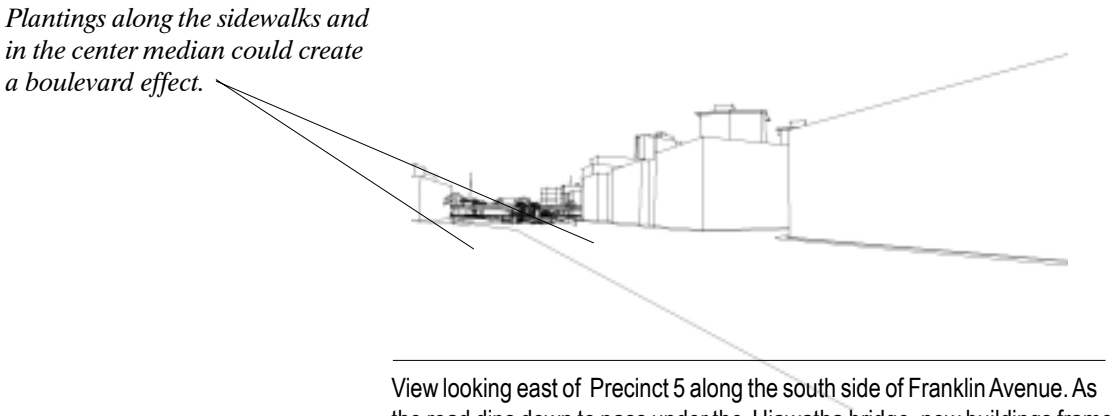
View looking north showing development on site 5A in the foreground to the left and the new buildings on sites 5B and 5C to the south across Franklin.

5.6 Precinct 5

5.6.2 Massing, Open Space, Density and Form



In this west-looking view of the community clinic site (Site 5C), the expanded building with residential units on the second and third stories creates a bridge to older buildings along Franklin.



View looking east of Precinct 5 along the south side of Franklin Avenue. As the road dips down to pass under the Hiawatha bridge, new buildings frame the space with a defined urban wall. The scale and sidewalk placement of the buildings helps to visually mitigate the size of Franklin Avenue and the bridge.

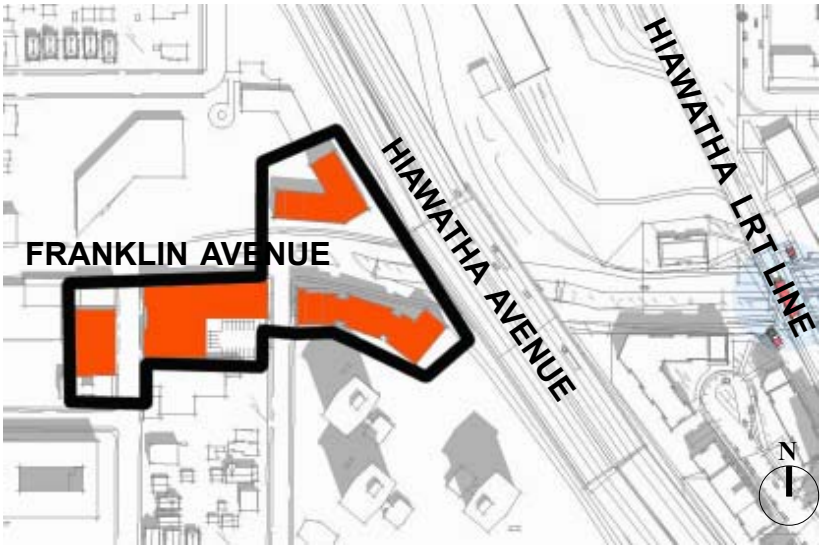
5.6 Precinct 5

5.6.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	2.71
Required Parking	375
Available Parking	181
Surplus/ (Deficit)	(194)
Gross SF	252,700
# Housing Units	145
Est. Precinct Project Cost*	$58.6 million

*This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)



Refer to 5.1 - Precinct and Phasing Overiew

5.6 Precinct 5

5.6.4 Associated Public Infrastructure Costs

$582,000

* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

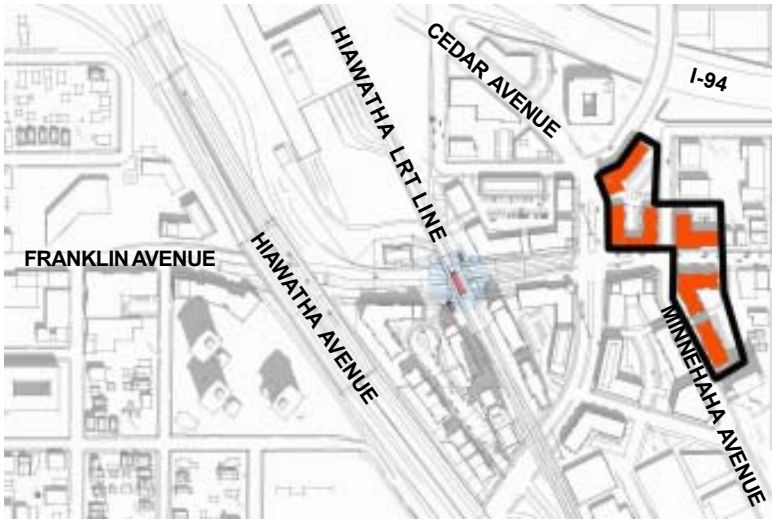
5.6.5 Phasing

This precinct will include development in phases 1, 2 and 3. If built before Precinct 1 is fully developed, the current market (2005) will likely support the Phase 1 housing and office uses described.

Precinct 5 is anticipated to be developed in Phases 1, 2 and 3

5.7 Precinct 6

5.7.1 Precinct Plan and Land Use

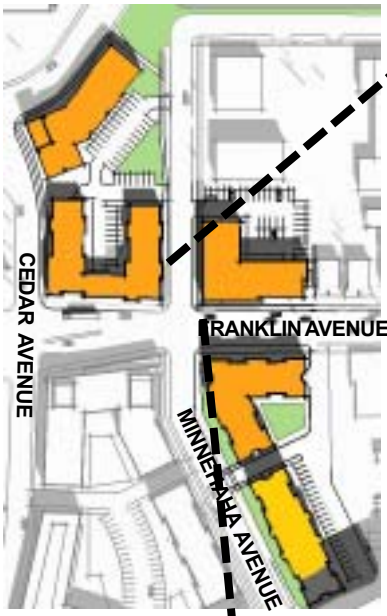


Precinct 6 is planned for a mix of office and residential uses with ground floor retail at sites 6A and 6B. Set at the prominent northeast corner of Franklin and Cedar Avenues, site 6B is planned for two stories of office use above the retail level. Site 6C is currently the location of a fire station that, if replaced, could consist of two stories of residential units above ground floor retail.

5.7 Precinct 6

5.7.1 Precinct Plan and Land Use

View of the street and pedestrian connection to Augsburg College and the West Bank. Bounded on the south by parcel 6A and slated for housing, this connection should be stregthened with lighting and improved walking paths.

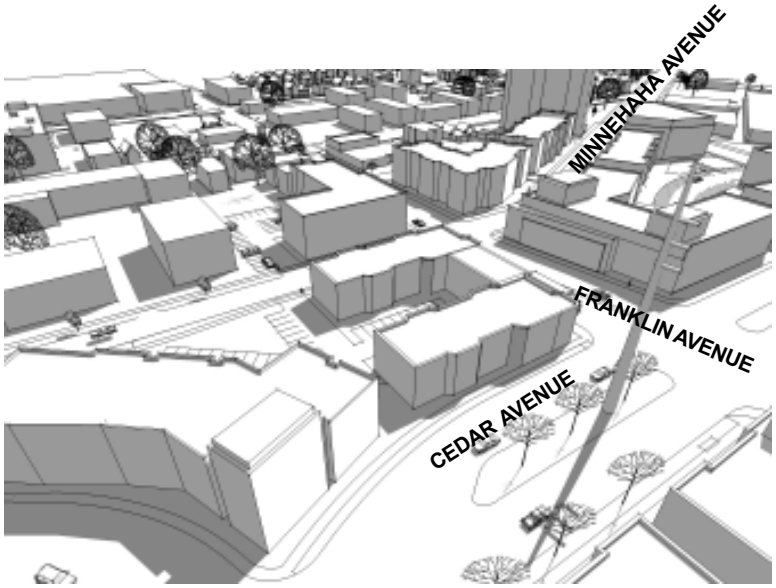


View looking south along the east side of parcel 6B showing current retail/office uses.

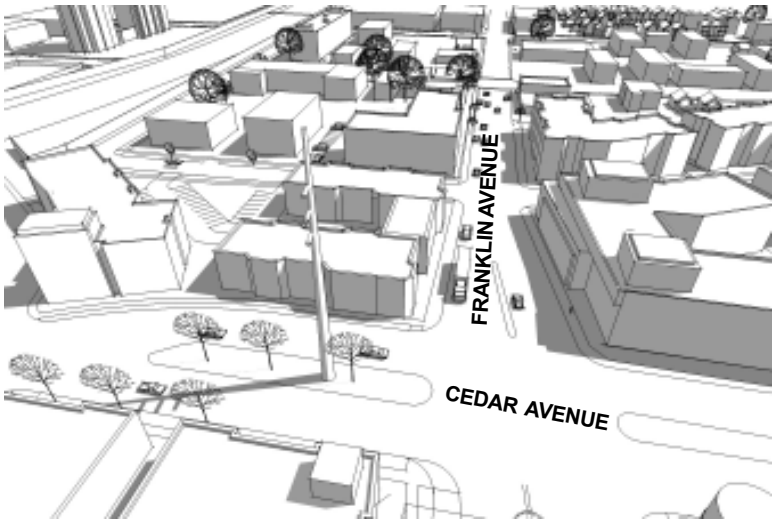
Parcel 6B is located at the northwest corner of the Cedar/Franklin intersection. It is planned for 3-story housing over street retail.

5.7 Precinct 6

5.7.2 Massing, Open Space, Density and Form



View looking southeast across Cedar Avenue to illustrate the urban framing of the street by proposed buildings.

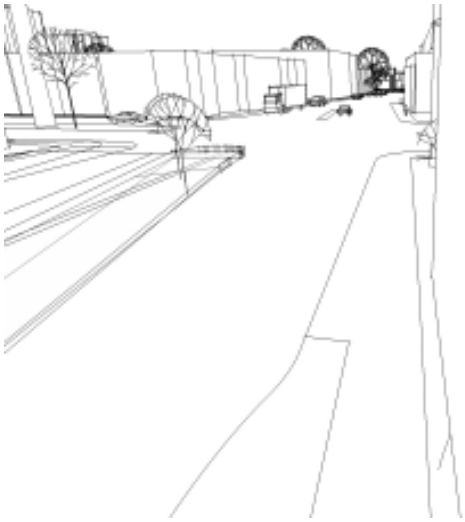


View over Cedar Avenue looking east along Franklin Avenue showing the continuous building wall created by infill development.

5.7 Precinct 6

5.7.2 Massing, Open Space, Density and Form

Street-level experiential view showing increased architectural enclosure.



View along Cedar Avenue.

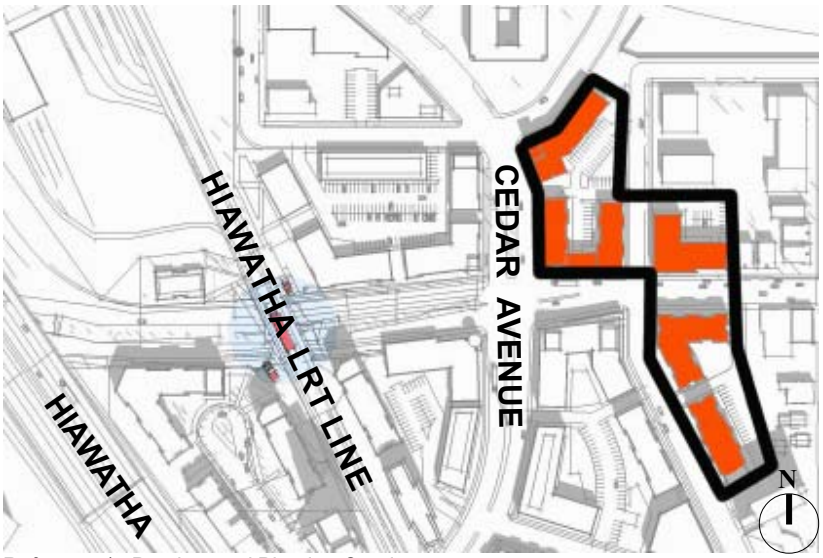
5.7 Precinct 6

5.7.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	2.81
Required Parking	375
Available Parking	562
Surplus/ (Deficit)	146
Gross SF	190,500
# Housing Units	104
Est. Precinct Project Cost*	$46.4 million

*This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)



Refer to 5.1 - Precinct and Phasing Overiew

5.7 Precinct 6

5.7.4 Associated Public Infrastructure Costs

$439,000

* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

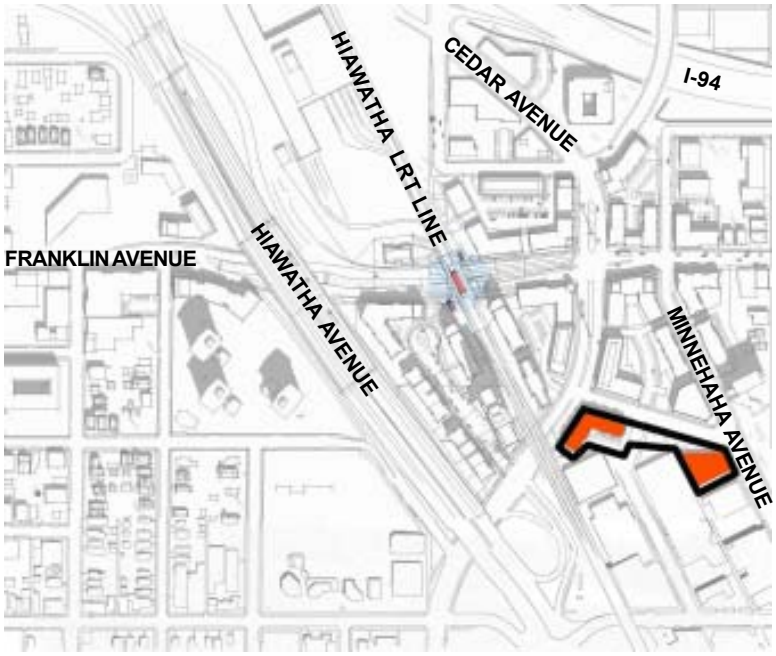
5.7.5 Phasing

This precinct is intended as a third phase development that may well be packaged in tandem with Precincts 2 and possibly 3. The market today (2005) will not support development contained in this Precinct, however after the development recommended for the quadrants around the LRT station is complete, it is reasonable to anticipate that a broader market will develop.

Precinct 6 is anticipated to be developed in Phase 3

5.8 Precinct 7

5.8.1 Precinct Plan and Land Use



The southern zone of Precinct 7 is currently a one-story manufacturing site that contains many factory, garage and warehouse buildings suitable for adaptive reuse as live/work spaces, music venues, business incubators, training centers, and loft spaces with gardens along the LRT line. With high ceilings and wide column grids, these post-war buildings offer a variety of opportunities for reuse and affordable rents for small businesses. As in Precinct 3, commercial building footprints are pushed outward to the street edge with parking on the interior.

The AIOIC, located currently in Precinct 2, could facilitate a land-swap to relocate their facility to sites 7A and 7B thereby creating a strong architectural anchor for the south face of Cedar. Snelling Avenue is slightly extended to drop down to Cedar Avenue thereby linking to the potential industrial/entertainment quarter and the south entry drive to Precinct 4.

An Industrial Enclave for Reuse

With a small "campus" of one story industrial buildings from the post-war era, the area just south of Precinct 7 can serve as a model for adaptive reuse of such facilities for artists, training centers and other uses. Along Snelling Avenue, as shown above, the buildings create a residential-scale street. Below, paralleling the LRT line, the west-facing backs of the buildings line the new bike paths. Set back from the trail, they can become housing or live/work spaces with southwest-oriented gardens and patios animating the path.

5.8 Precinct 7

5.8.1 Precinct Plan and Land Use

5.8 Precinct 7

5.8.2 Massing, Open Space, Density and Form

View looking southeast towards the LRT station. Precinct 7 appears to the upper left.

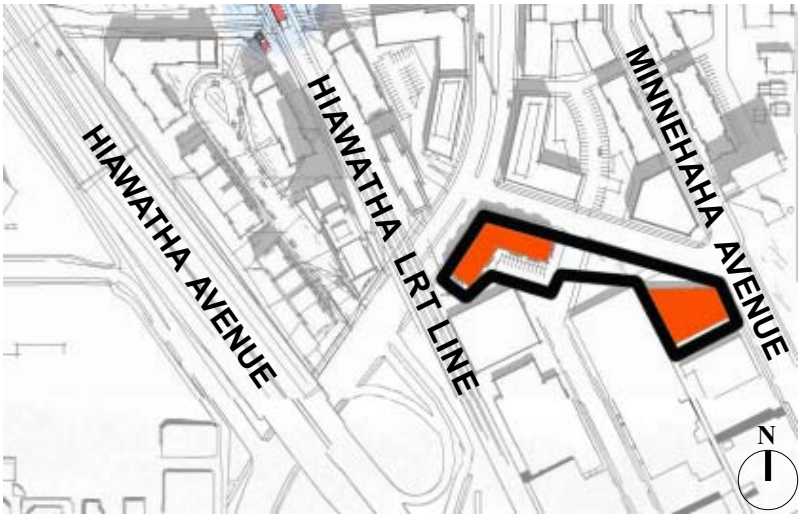
5.8 Precinct 7

5.8.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	1.37
Required Parking	144
Available Parking	79
Surplus/ (Deficit)	(65)
Gross SF	89,000
# Housing Units	50
Est. Precinct Project Cost*	$20.8 million

*This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)



Refer to 5.1 - Precinct and Phasing Overiew

5.8 Precinct 7

5.8.4 Associated Public Infrastructure Costs

$205,000

* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

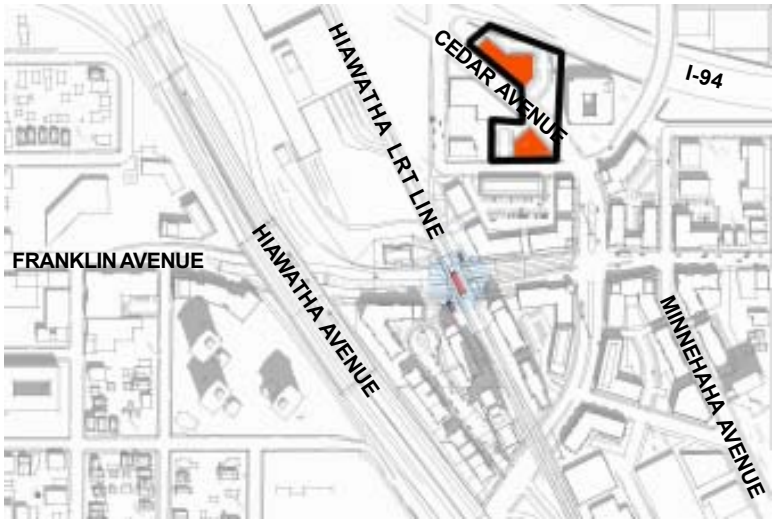
5.8.5 Phasing

This precinct is intended as a third (or possibly later) phase development that could be packaged in tandem with Precinct 4. The market today (2005) does not support the development contained in this precinct, however after the development recommended for the quadrants around the LRT station is complete, it is reasonable to anticipate that a broader market will develop.

Precinct 7 is anticipated to be developed in Phase 3

5.9 Precinct 8

5.9.1 Precinct Plan and Land Uses

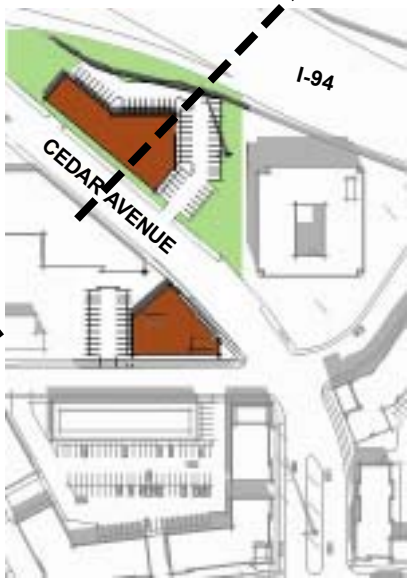


Precinct 8 is envisioned for single story retail such as grocery stores or restaurants. Located on the south and north sides of Cedar Avenue, the site is well-located for car access. Establishments on the south side of Cedar should take on the character of the adjacent entertainment district in Precinct 3 and Whiskey Junction to the west. The site has an estimated need for 75 parking spaces with 72 available as shown.

5.9 Precinct 8

5.9.1 Precinct Plan and Land Uses

View looking northwest to skyline



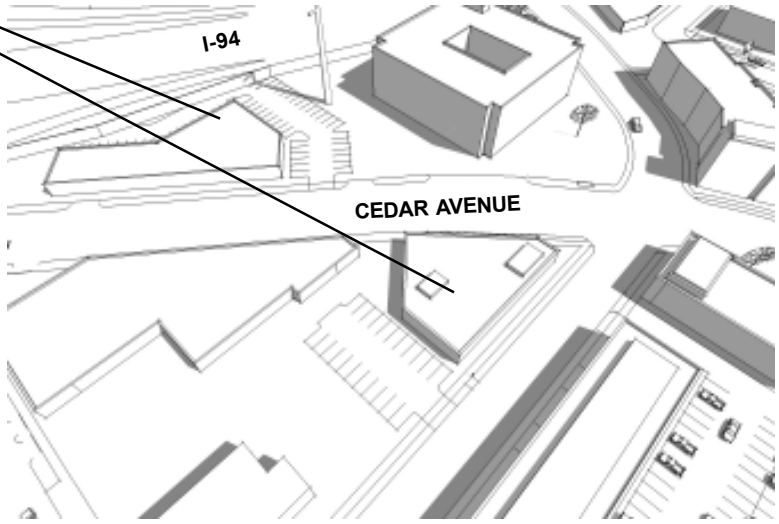
View looking south along bike trail to station.

Whisky Junction's historic facade.

5.9 Precinct 8

5.9.2 Massing, Open Space, Density and Form

Sites 8A and 8B, suitable for retail or commercial uses with on-site parking.



View from the southwest across Cedar Avenue towards I-94 and the Augsburg College campus.

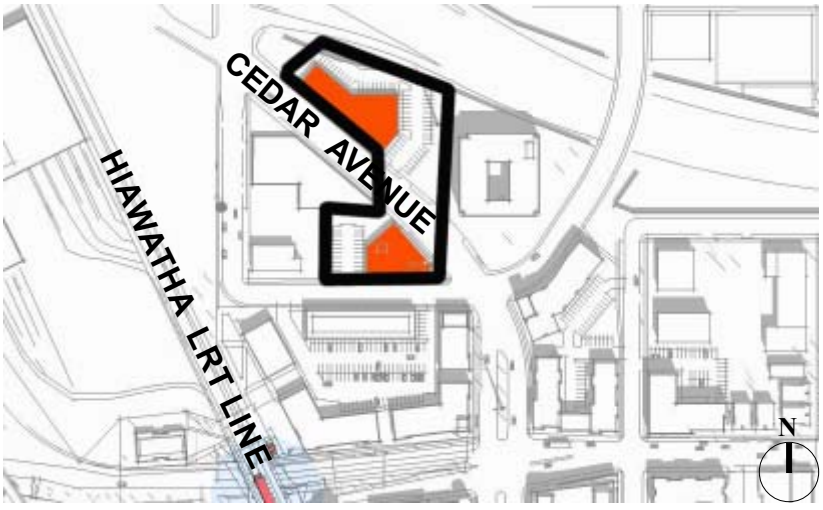
5.9 Precinct 8

5.9.3 Quantity Analysis for Parking, Allowable SF, Direct Costs

Combined Precinct Parcel Acreage	1.77
Required Parking	75
Available Parking	72
Surplus/ (Deficit)	(3)
Gross SF	22,000
# Housing Units	0
Est. Precinct Project Cost*	$4.1 million

*This estimate includes bldg. cost, parking costs and site amenity costs. It does not include public improvements, site acquisition and relocation costs.

(For full data see attached spreadsheet: Franklin Avenue LRT Station Area Implementation Plan Quantity Takeoffs)



Refer to 5.1 - Precinct and Phasing Overiew

5.9 Precinct 8

5.9.4 Associated Public Infrastructure Costs

$51,000

* Based on prorata of precinct gsf as a percentage of the overall all Station Area. Estimated overall public infrastructure cost is $3,741,000.

5.9.5 Phasing

This precinct is intended as phase two or three development that could be packaged with development of Precinct 3. The market today (2005) does not support the development shown here, however, after the development recommended for the quadrants around the LRT station is complete, a broader market may likely develop.

Precinct 8 is anticipated to be developed in Phases 2 or 3

6.0 RECOMMENDED IMPLEMENTATION

6.1 Commentary and Objectives

The intent of this study is to increase investment in the area and to focus this investment into the meaningful creation of place. This can be achieved through development of privately held parcels of land, as well as the development of the public right-of-way. It is recommended that this document be used as a reference and guide when undertaking any planning, design, development or construction within the study area. It is also a recommendation, of this study, to actively undertake initiatives, as outlined in Section 6, related to the following recommendations:

6.2 General Recommendations and Phasing

The project area encompasses numerous building types, styles, setbacks and densities, but generally speaking the areas along Franklin Avenue and selected side streets still read as commercial corridors. In general, the area should be "urban" in scale. The design tradition of commercial corridors (often former streetcar strips) has always been that of the building streetwall (facade) defining the public space of the sidewalk and roadway. This should continue today through the sensitive siting of new buildings and constructs, upgrades and improvements to existing building facades and development of street scape that reinforces these ideas and further defines the uniqueness of the district.

Redevelopment

Because this is an existing neighborhood and commercial area that has been developed over time, by definition all new work that is not in the public right-of-way can be defined as redevelopment. Additionally, reconstruction or redesign and construction of the public right-of-way can also be part of redevelopment. Redevelopment can take on many forms, including building remodeling and/reuse, selected building razing and site clearing, infill projects on existing underutilized land, cleanup of polluted "brownfield" sites, and development of new structures on recently cleared sites. The following recommendations pertain to redevelopment within the study area:

A. Demolition

On a case basis, buildings should be demolished to allow for new construction, but ONLY after reviewing the following criteria:

- Is the building historically significant, as defined locally or nationally?
- Is the current building able to achieve highest and best use of the site?
- Can the existing building be remodeled or reused?
- Does removal allow for a better use, building type, building siting or more desirable density?

Recommendations, continued

Infill

Infill projects should occur on land that can be assembled between existing structures. The desire is to create a continuous streetwall that enhances the pedestrian experience and adds to the critical mass of commercial activity. Infill can take the form of new buildings or open space. In all cases, the edge along the sidewalk should be developed to connect and complete the streetwall.

Parking Appearance and Design

Shared use and infill surface parking should be developed throughout the commercial areas. Surface parking should be screened by fencing or hedges but not so much as to cause a security and safety problem. Densities outside the core area currently do not warrant structured parking as the cost of such parking cannot be recouped through fees. This may change with increased densities, and should be reviewed periodically. Additionally, underground parking should be considered for new developments.

Scale

The scale of development is recommended in several sections of this document and should inform subsequent zoning changes. Generally, building heights of 2-5 stories are recommended, with minimal setback from the street.

Density

Increased density is encouraged to create a critical mass of uses and to convey a sense of vitality. Density is largely dictated by City of Minneapolis parking requirements defined within zoning. Variances should be requested based upon access to shared use parking or remote lots and to transit, thereby allowing increases in building square footage without equal increases in parking.

Recommendations (continued)

6.3 Zoning

Currrent zoning will require modification to support the development scale and types recommended herein. The City should declare the study area a Redevelopment District and begin the rezoning process soon to begin the process of public and private investment.

6.4 Streetscape and Visible Infrastructure

Visible infrastructure, and streetscape as a component of it, should be designed and implemented to organize and facilitate the creation of place. The LRT Station should be the focus of this placemaking as it is conceived of as the hub of pedestrian activity in the study area. The hierarchy of intensity should then follow the recommendations in this Study. This public investment will support several of the Design Principles:

- Create a safe and pleasant walking experience with a strong orientation to, and focus on, the pedestrian.
- Enhance the area's image by creating an identifiable urban district unique to the Franklin / Cedar area, making this area a destination.
- Respect the diverse history and culture of the area.
- Create more opportunities for green space, streetscape, and public art.

Creating a Graphic Identity

With its entertainment and industrial land uses, the Franklin LRT Station area contains a number of precedents for future signage, gateways and wayfinding graphics for streetscapes and infastructure. Bold and honest uses of structural metals and simple sans-serif signs are both legible and distinct to the area.

Creating Meaningful Places

Key to the success of the streetscape is the degree of flexibility designed into the system, voids of opportunity and space left free for unanticipated activity. Critical to successful streetscapes are the effects of scale and density (attraction effects when elements become numerous) and the effect of synergy (when items overlap and interchange).

The intention of the streetscape is to focus these attractions into meaningful places. This architectural approach to urbanism allows the detailed design of typical elements or repetitive structures. This entails the precise delineation of specific architectural elements (streetscape) within specific limits.

This capacity to bring to physical form many social and cultural ideals (not available to such practices as film, literature or politics) contributes something that strictly technical disciplines such as engineering cannot. When Walter Benjamin writes that "construction fulfills the role of the unconscious," he articulates the capacity of certain structures to act as a scaffold for a complex series of events not anticipated (by the architect) - meanings and affects existing outside of the control of a single author that continuously evolve over time.

It is such a capturing of events, creating a stage for life, that underlies this streetscape concept. Thus, there is a need for density, complexity and overlay in the design that creates a condition where form matters, but more for what it can do than for what it looks like.

Left: An example of a streetscape that provides summer shade while separating pedestrians and vehicles.

6.5 Traffic and Transportation

Example of upgraded transit shelter

Summary of Recommended Actions

The pattern of streets and blocks recommended in the Plan makes several critical adjustments to the existing roadway system to improve pedestrian connectivity and to optimize development opportunities. These adjustments fall into several categories as noted below. Timing of these changes would be contingent upon the phasing of the Plan for each Precinct as described in Section 5.

Intersection Improvements

- Addition of right turn lanes on the Cedar Avenue approaches at Franklin Avenue (Precinct 3 north of Franklin, Precinct 4 south of Franklin)
- Redesign of the intersection of Franklin Avenue and the LRT yards and shops access road to a Tee (Precinct 3, contingent upon Precinct 1)
- Addition of curb extensions and parallel parking on Franklin Avenue between LRT overpass and Hiawatha overpass (Precinct 1 south side, Precinct 3 north side)

Roadway Realignments

- Minnehaha Avenue north of Franklin Avenue to intersect with 9th Street rather than Cedar Avenue (Precinct 6)
- 9th Street between Old Cedar and Cedar Avenue to align with 20th Avenue (Precincts 3 and 8)

New Roadway Connections

- Extend 22nd Street/Snelling Avenue to provide a new connection between Minnehaha Avenue and Cedar Avenue south of Franklin Avenue (Precinct 7)

Roadway Removal

- 19th Street north of Franklin Avenue to Cedar Avenue/9th Street (Precinct 3)
- North frontage street along Franklin Avenue west of Cedar Avenue (Precinct 3)
- Old Cedar Avenue south of Franklin Avenue to the internal street on the Cedar Box/Ambles site (Precinct 1)

Directed sunlight can become a simple, yet effective animating feature for the dark area under the Hiawatha bridge.

6.6 Under Bridge Design Treatments

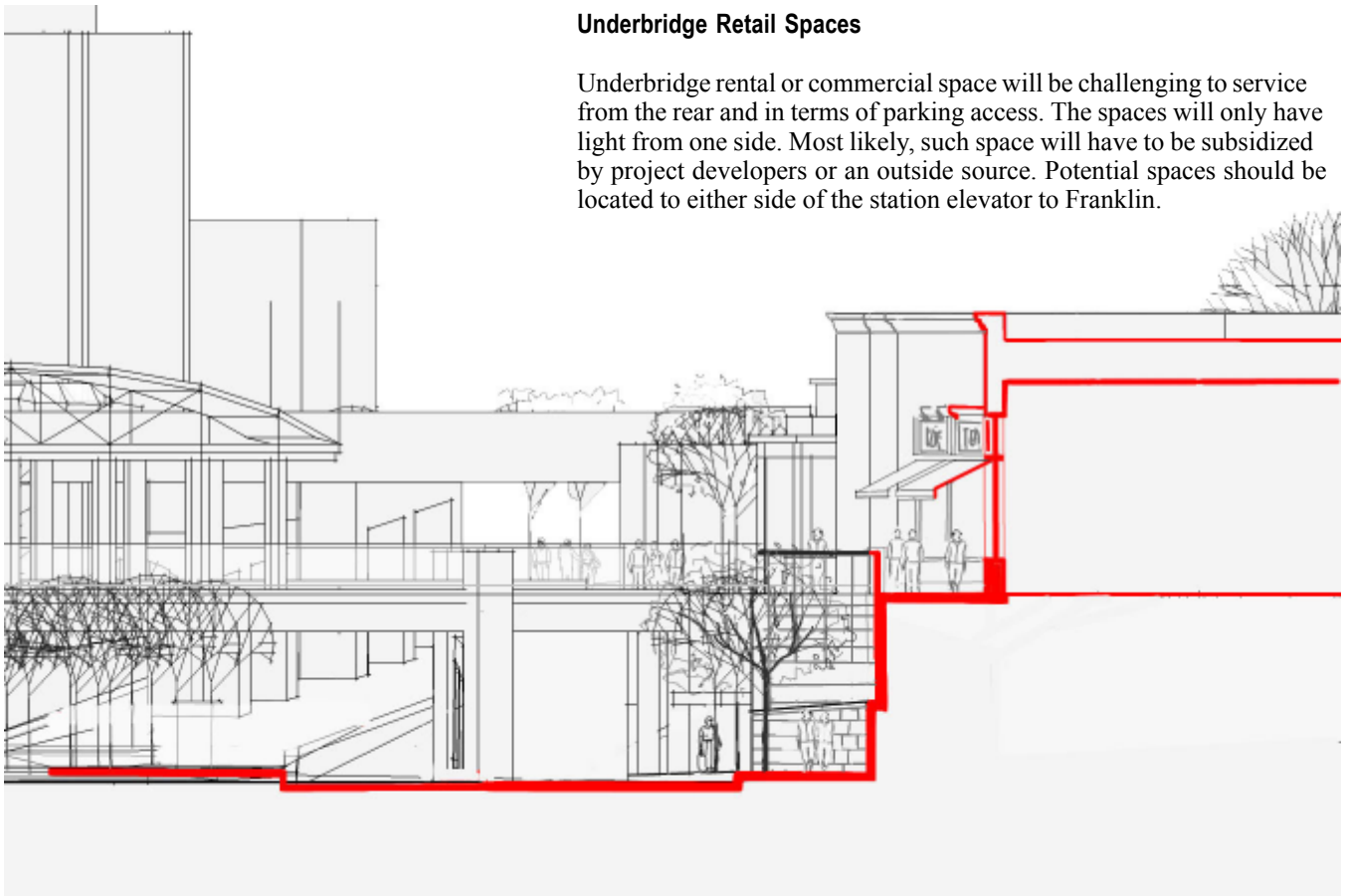
Public Art should be integrated with the under bridge sidewalks and drive lanes of the Hiawatha overpass on Franklin Avenue. The width of the roadway above creates a long and dark passage way for pedestrians below that is potentially dangerous at all times of day. The drop in elevation of Franklin Avenue worsens this sense of isolation for both pedestrians and vehicles.

Superficial or decorative art will do little to mitigate this forbidding environment. Future investments in the public realm should emphasize daylighting and artificial lighting to increase the brightness of this area. Even a small slit of daylight from above can bring a sense of rhythm and pattern to this engineered space. Artificial lighting can be directed upward to illuminate the bridge structure and side walls.

Future urban design efforts should consider a planted median in the center of Franklin as it drops below the bridge. Such a median with hardy street trees such as ash or maple could reduce the scale of the swath while creating a softer and greener image for views from residential and commercial spaces above.

Underbridge Retail Spaces

Underbridge rental or commercial space will be challenging to service from the rear and in terms of parking access. The spaces will only have light from one side. Most likely, such space will have to be subsidized by project developers or an outside source. Potential spaces should be located to either side of the station elevator to Franklin.



7.0 Reference Materials

7.1 Financial and Market Feasibility Analysis by QSA

7.2 Tranportation Analysis by Meyer Mohaddes Assoc.

The items described below can be made available for review but are not contained in this document to reduce overall reproduction and publishing costs.

7.3 Physical Analysis

7.4 Community Input

7.5 Supplemental Information

Acknowledgements

Many public, private and institutional contributed to this plan and/or will be vital to its long-term implementation. They include:

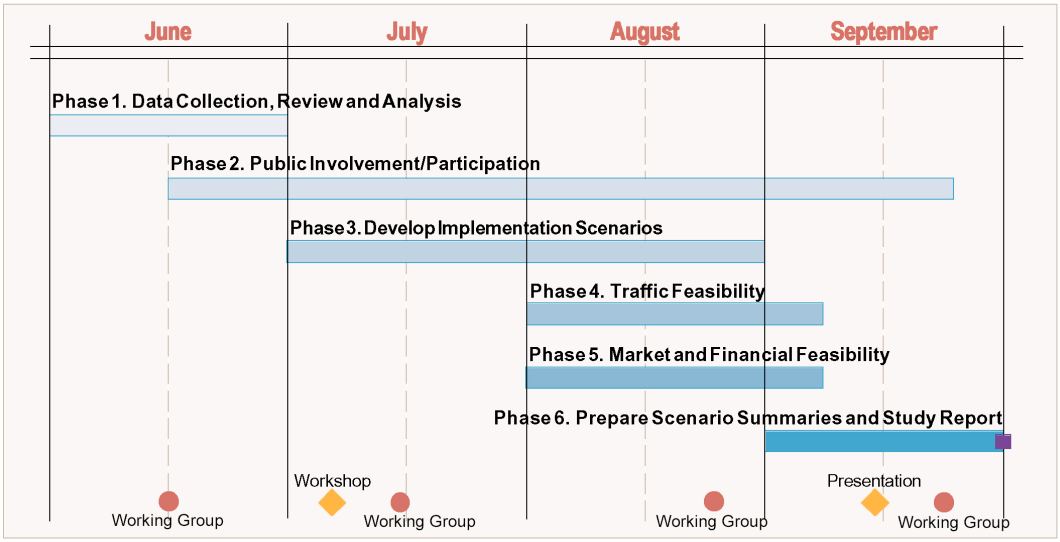
- The City of Minneapolis/CPED
- Hennepin County
- Ventura Village
- Seward Neighborhood
- Seward Redesign
- AIOC
- Augsburg College
- Fairview Hospitals
- MnDOT
- Metropolitan Council
- Metro Transit
- The University of Minnesota

Acknowledgments

HAY • DOBBS P.A. wishes to thank the following organizations and individuals for their participation, collaboration and contributions to the development of this document:

- The City of Minneapolis/CPED
- Hennepin County
- Ventura Village
- Seward Neighborhood
- AIOC Augsburg College
- Fairview Hospitals
- MnDOT
- Metropolitan Council
- Metro Transit
- The University of Minnesota

PRELIMINARY SCHEDULE - 2004



Summary of Hourly Demand Weekday

Land Use	Block		Block		Block		Totals	
Hour	A	B	C1	C2	D		Hourly Parking Demand	
6:00 AM	168	695	144	67	52	0		1125
7:00 AM	203	664	170	66	92	0		1196
8:00 AM	301	635	233	66	166	0		1402
9:00 AM	373	627	299	73	272	0		1645
10:00 AM	391	627	339	81	362	0		1800
11:00 AM	394	638	363	88	422	0		1905
12:00 PM	371	643	362	92	444	0		1913
1:00 PM	372	645	366	93	454	0		1929
2:00 PM	388	643	372	92	451	0		1946
3:00 PM	378	642	364	91	441	0		1916
4:00 PM	341	652	335	90	400	0		1817
5:00 PM	272	668	289	89	345	0		1662
6:00 PM	217	684	263	91	331	0		1586
7:00 PM	183	701	254	95	338	0		1571
8:00 PM	186	714	254	96	332	0		1582
9:00 PM	175	714	218	87	246	0		1441
10:00 PM	172	705	183	78	154	0		1291
11:00 PM	163	702	156	71	90	0		1183
12:00 AM	161	695	140	67	49	0		1111

Peak Demand								
2:00 PM	388	643	372	92	451	0	0	1,946
Supply								
Total								
On-Street								0
Off-Street								0

Total Surplus (Deficit)	-388	-643	-372	-92	-451	0
Off Street Surplus (Deficit)	-388	-643	-372	-92	-451	0

Market and Financial Feasibility Analysis

Franklin Area Station Redevelopment

Prepared for

Hennepin County, Minnesota

in partnership with

City of Minneapolis and Seward Redesign

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Table of Contents

List of Figures

Executive Summary

This market and feasibility analysis assesses market and financial realities as they exist and as they can be enhanced for an area around the Franklin Avenue Station on the Hiawatha light rail line in Minneapolis. It concludes with a recommended implementation strategy.

Economic and market changes have impaired the feasibility of a Master Plan approved in 2001. This analysis undertakes to develop refinements to that Plan with an Implementation Scenario that is driven by the current market and economy.

Concluding that housing is now the strongest market, followed by retail, then office and industrial uses, this study recommends that the Master Plan catalyst development, an office tower, be replaced with a mid-to-high rise residential complex located across Franklin Avenue, south of the original catalyst site.

To best use site advantages, the Implementation Scenario places the residential tower to the south with lower buildings to its north, so that high value residential units can be built in the higher levels of the tower with views toward the downtown skyline. This visual advantage could not be realized if the office tower in the Master Plan were located to the north.

The Franklin Station area, located two light rail stops from downtown Minneapolis, can be marketed as an alternative to more expensive downtown living.

The Implementation Scenario contains 1000 residential units spread over 7 of its 8 precincts. With implementation expected to extend over about 20 years, it offers two timing strategies, tied to market considerations. The first would begin conservatively, building only to existing local demand: a single-precinct complex containing about 400 units. The second, the recommended strategy, begins with approximately 625 owned and rental units in buildings south of the station on both sides of the rail line. This would permit better allocation of uses over the sites, and potentially spur earlier spin-off development in remaining precincts.

On two quadrants adjoining the rail station, north of Franklin, the Implementation Scenario contemplates 43,800 square feet of retail and entertainment--a one story convenience retail building on the west and complementary uses (including a possible American Indian cultural dinner theater) added to existing entertainment on the parcel northeast of the LRT station.

Total assessed value for these housing and entertainment precincts would be raised from just under $3 million dollars to over $200 million.

Already planned supportive housing and CUHCC clinic site improvements would fall into early phases. In precincts not adjacent to the rail station assorted retail, commercial and mixed-use commercial/residential buildings, a new grocery and more restaurant uses would fall into a third phase.

To accommodate growth planned for the later phases, the station area market demand needs to grow from the development success of the four quadrants around the light rail station. Demand based upon present local markets will not be sufficient. Within the context of the larger Implementation Scenario an expanded regional market draw can be expected.

The Implementation Scenario has fewer, less expensive infrastructure changes than those contained in the Master Plan. Tied directly to the development that is immediately impacted by them, only those infrastructure changes that enable development or enhance the market are retained.

Financial analysis of phasing and the grouping of development Precincts indicates that development of Precinct 1 alone could yield a positive cash flow if about sixty percent of increased tax revenue were applied to development costs. But this would exhaust demand for Precinct 2 development for a period of years, leaving redevelopment of retail Precinct 3, impaired because, alone, it could not generate the cash flow to pay for shared infrastructure costs.

Development of all three precincts together would permit better allocation of uses and generate a better ongoing market. Together, from tax revenue increments, the three could sustain their combined $2.4 million in infrastructure costs. They could not sustain the higher cost of extensive reconfigurations of Franklin Avenue, relocation of the station, or a pedestrian land bridge. Funding for that level of improvements would have to be found from some other source.

Later phase development will have a construction value of over $88 million. Precincts 4 and 6 call for almost $6 million in infrastructure changes, nearly $4.8 million of which relate to the removal and replacement (elsewhere) of a fire station. Development of these two precincts would be financially risky unless the fire station replacement were either omitted or paid for from some other source.

The success of the Implementation Scenario depends upon the growth of residential demand and to a lesser extent retail and entertainment demand in the station area. Factors to be optimized in developing these markets are: critical mass, transportation, design and security, financial feasibility and identity.

Simultaneous planning and development of Precincts 1, 2 and 3 is recommended to achieve critical mass. Light rail convenience to downtown, the international airport and the Mall of America gives this site unique transportation attributes. Streetscape, and pedestrian amenities plus the early redevelopment of fenced off and cluttered businesses will improve area design and increase safety. Care should also be taken in design and siting to optimize the compatibility of mixed uses.

The timing of parcel acquisition and assembly of sites into the appropriate development clusters will be critical to the financial success of the entire area. Infrastructure can only be financed when tied to sufficient new development. Thoughtful financial strategies can reduce risk, induce development, and promote housing affordability.

Finally, exploiting the area's existing entertainment character to promote a new mixed-use community with an urban edge can attract new markets.

Recommended steps and actions to initiate the development process suggest the selection of a development coordinator to move the Implementation Scenario forward. Action steps provide an outline that coordinator can follow, within important guidelines.

By acknowledging the realities of today's market and development environment, this market and financial feasibility analysis provides the underpinning for an implementation scenario that can mobilize development in the spirit of its underlying Master Plan and the ongoing input of its community stakeholders.

Introduction

This market and feasibility analysis provides an assessment of market and financial realities as they exist today and as they could be enhanced, for an area that surrounds the Franklin Avenue Station on the Hiawatha light rail line in Minneapolis. It concludes with a recommended step-by-step implementation strategy.

History

Approximately five years ago, a Franklin Avenue Station Area Master Plan was created as part of the *Franklin-Cedar/Riverside Transit Oriented Development Station Area Master Plan*, for the Hiawatha LRT line in Minneapolis. The Minneapolis City Council approved this plan (the Master Plan) in 2001 (See Figures 1A and 1B).

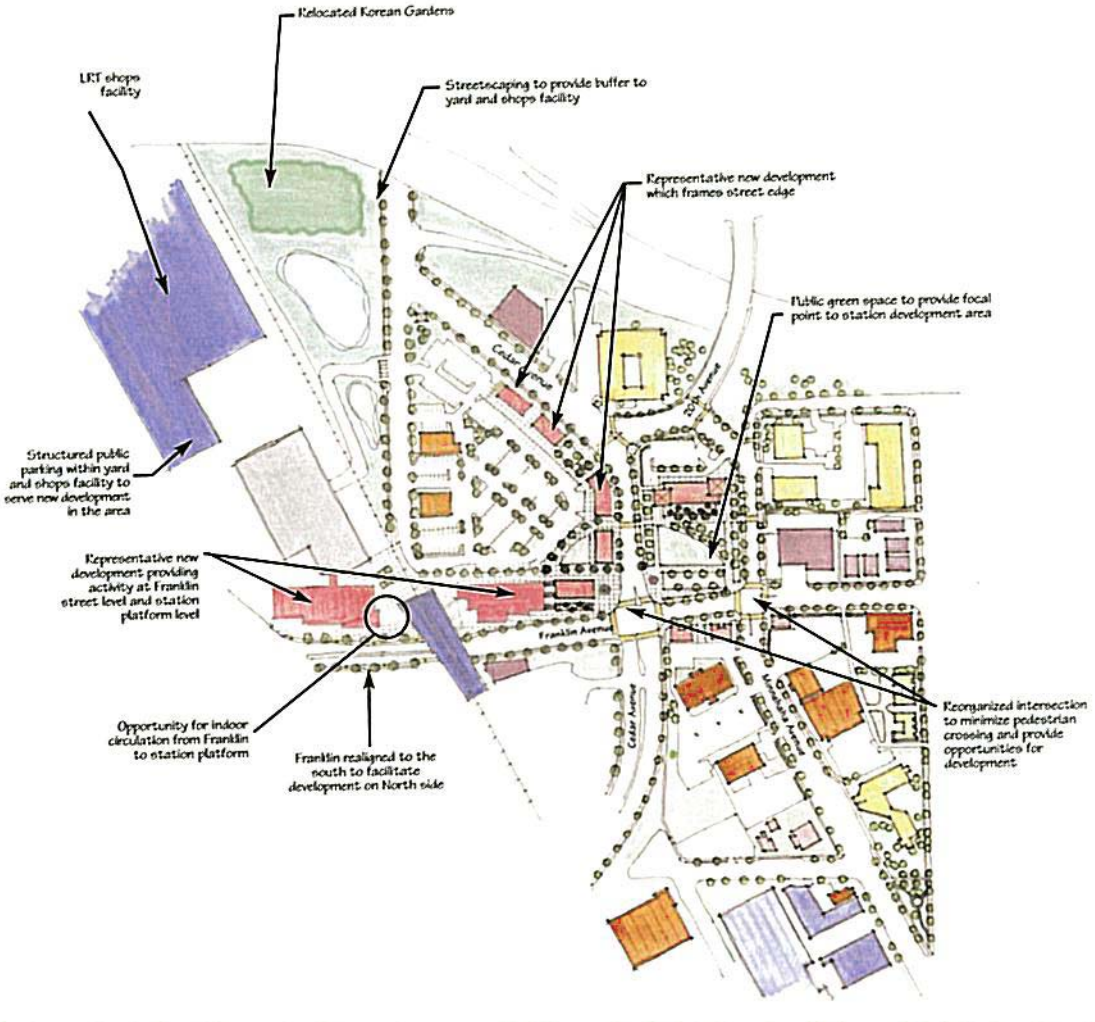

Figure 1A – 2001 Master Plan (East)[1]

[1] Graphic by SRF from the Master Plan

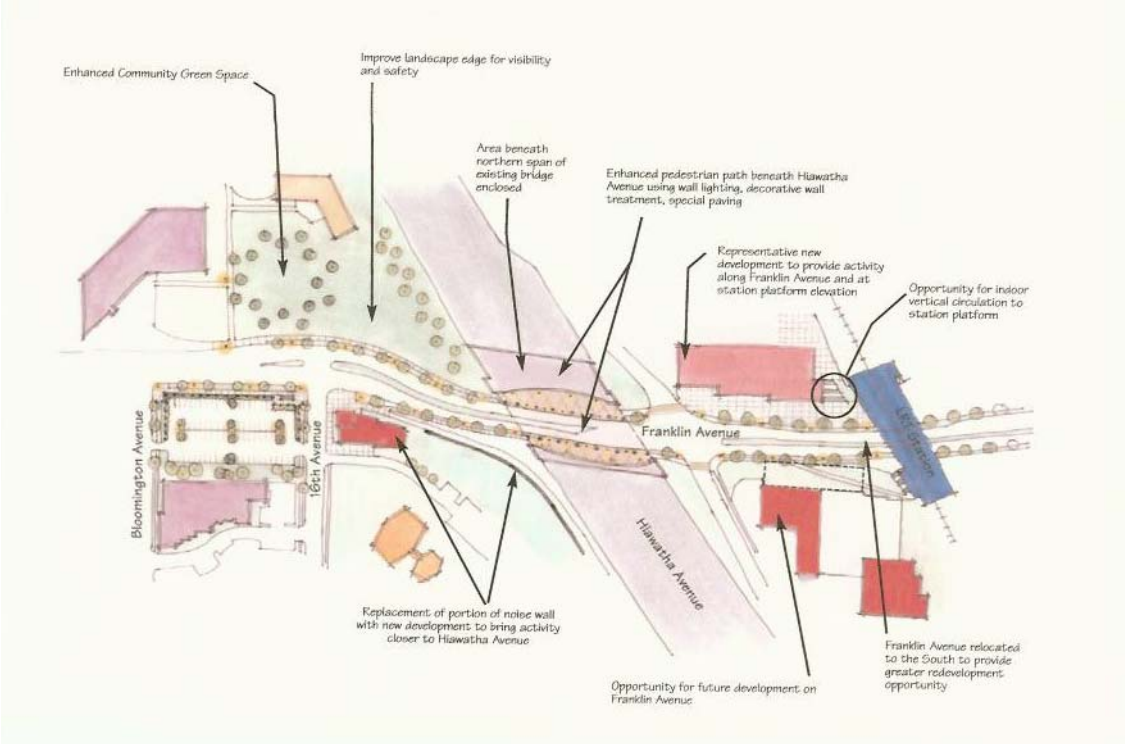

Figure 1B – 2001 Master Plan (West)[2]

The present analysis addresses both the Master Plan and a refined scenario, (the Implementation Scenario) which includes several density and strategy alternatives. It has been developed as part of an implementation study conducted in 2004 and 2005 for Hennepin County in partnership with the City of Minneapolis and Seward Redesign.

[2] Graphic by SRF from the Master Plan

Project Area

The project area boundaries described for this implementation study are: Interstate Highway 94 to the north, 24th Street to the south, Bloomington Avenue to the west, and 22nd Avenue to the east (See Figure 2).

Figure 2 – Project Area

Purpose and Scope

Purpose

After creation of the Master Plan, changes in the economy and in market demand have made it apparent that, at this time, fundamental aspects of the plan are not feasible. Also, since development under the Master Plan calls for substantial infrastructure investment including road and utility changes, efforts to begin redevelopment have become difficult--particularly since little private investment is likely to result from these significant public investments.

Consequently the study of which this analysis is a part has been undertaken to develop refinements to the Master Plan with an Implementation Scenario (Figure 3) that is sensitive to and driven by the current market and economy.

Figure 3 – Implementation Scenario (Precincts and Parcels)

Scope

The scope of this study includes the determination of base market data for the uses in the Master Plan and its redefined Implementation Scenario. The study also identifies site-specific market and development considerations that need to be addressed, determines market and financial feasibility and the appropriate scale of revised uses that can be implemented. Recommendations include the scope and character of enhanced markets that could be developed as well as phasing and financial resources for development.

Market Study Methodology and Assumptions

Previous studies and available sources

This study draws from data and studies already developed as well as current sources. Among existing studies and sources relied upon are: the *Franklin – Cedar Riverside Transit Oriented Development Station Area Master Plan, SRF, 2001*, with its incorporated references to the *Hiawatha LRT Corridor Transit-Oriented Development Market Study, Maxfield Research/ZHA, 1999*. Additional information relating to portions of the study area is drawn from the *Ventura Village Market and Development Feasibility Analysis, McComb Group, Ltd, 2000*, and *An American Indian Dinner Theater and Cultural Center, a Feasibility Study, Sjogren, 2003*. A list of sources and studies is set forth in Appendix A.

In addition QSA has conducted telephone interviews with property owners for rental, ownership and vacancy information as well as conducting in-person interviews with certain area stakeholders. Where acknowledged below, Maxfield Research, Inc. has provided base primary data.

Assumptions

The following market areas have been identified.

Housing

Initial phase minimal plan housing is based upon a local market area within Minneapolis. Larger scale housing (entailing all four quadrants around the station area) will need to draw regionally from Minneapolis and from south and western Minneapolis suburbs, and require market development based on several factors including proximity to downtown.

Retail

The retail market area is defined as the area south of Interstate 94 and north of Lake Street, extending less than two miles east and west from the intersection of Franklin and Cedar.

Office and Industrial

Office and industrial market areas have been identified as the whole city of Minneapolis.

Development of additional market after first phase development must be built from market development concepts outlined later in this analysis, including the successful employment of: critical mass, LRT accessibility, design and security, financial feasibility and area identity.

Existing Market

Office

Although the overall market for office space in the metro area continues to be soft, with metro area vacancy rates near 20%, there is demand from small businesses as well as from larger major employers who require back office space. The industry sectors that have continued to expand their office space include health care and health care administration, financial services, specifically mortgage and mortgage capital, medical technology, and the bio-medical industry. Financial services and health care have been the sectors most likely to consider expansion in urban districts.[3] QSA has also observed a growing interest in small professional office condominium space properly designed into mixed-use buildings.

Lease rates for office space in this area, outside of Downtown and more than one mile away from the LRT generally lease for between $6.00 and $15.00 per square foot net. This substantial range is due to the fact that there is a significant diversity in age and type of building structure. Lease rates for new office space in the Downtown currently average between $8.00 and $12.50 per square foot net. This is a significant decline from the late 1990s and early 2000 when rents were much higher, $15.00 to $20.00 per square foot net. The proliferation of office space in the Downtown is expected to continue to suppress rents for at least the next two years or until a substantial amount of the vacant and sublease space is occupied.[4]

Retail

Retail in this area has been primarily targeted toward the local neighborhood with a few destination retail outlets, primarily restaurant and entertainment related, that have been established for many years. It is likely that this type of retail environment will remain consistent over the long-term. A critical mass of new housing and employment in the area would enhance demand for uses such as restaurants, a coffee shop, laundry/cleaners, video rental, bike repair, a copy center, or a small deli/market.

These uses would be patronized either by employees during the day or, after work, by residents from either new residential development or from the immediate neighborhood. There is limited neighborhood shopping nearby and with the surrounding housing and Augsburg College in close proximity, there is demand for these services beyond what exists now.[5]

The current market would probably support 8,000 to 10,000 additional square feet of space in a new building/complex depending on the first floor configuration of the space and the building footprint. The retail could be linked to the Franklin Street Station to also serve train passengers.

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[3] Source, Maxfield Research, Inc. primary research

[4] Base data and opinion by Maxfield Research, Inc.

[5] QSA and Maxfield Research, Inc.

Lease rates vary dramatically in this area and range anywhere from a low of $4.00 per square foot net to a high of $23.00 per square foot net.[6] This range is substantial and reflects a significant variation in building age, pricing and size.

Housing (rental)

At this time, the rental market is soft with higher vacancies and the for-sale market is strong due to low mortgage interest rates.

Vacancies among nearby Downtown rental properties are currently high, over 10%. The Twin Cities area quarterly rental vacancy rate at the end of 2004 was 7.3%, up from 6.7% in the previous quarter, but reduced from 7.6% a year previous.[7] Personal and telephone interviews of multi-family rental units in the Franklin Station area revealed vacancy rates consistent with or slightly better than the metro rate, with vacancies ranging between zero and 8% per property.

While Minneapolis rental rates range from $556 for a studio to $1386 for a three bedroom, QSA identified a range in the immediate station area from $445 for studios to $1245 for three bedrooms, rates slightly below the metro averages.

Relevant to the immediate area, recent development of student housing at Augsburg and at the U. of M. has met with a high level of success. All of this housing has been rental.

Housing (owned)

Condominium development in the nearby Downtown has boomed the past two years, with a significant number of units in the works and coming on-line. By mid 2004, roughly 1,300 units had been brought on-line over the previous 18 months. Another 600 units were marketing and as they reach 50% presales, they begin construction. There are another 960 units planned that have received some form of approvals. Another 2,300 units are being proposed or discussed, but their development is tentative. These figures exclude other sites and buildings that are being considered for housing, but do not have a formal development plan or any city approvals.[8]

[6] Maxfield Research, Inc.
[7] GVA Marquette Advisors
[8] Maxfield Research, Inc.

Housing market comparables

Development outside of the Downtown has been strong although pricing is generally less than for Downtown developments. There are roughly four projects in various stages of development in the Whittier neighborhood just outside of the Downtown. Unit pricing ranges from the mid-$100s to the mid-$300s within four buildings.

An example of owner occupied housing that created its own market on the periphery of downtown Minneapolis is Grant Park. This twenty-seven-story tower surrounded by 3-story town homes is located at the southeastern edge of downtown. Its local market is the neighborhood of Elliot Park. Median 2000 census household incomes there were $18,013, compared with $19,405 in Ventura Village and $30,209 in Seward Neighborhood, the two neighborhoods surrounding the Franklin Station Area. Nevertheless, the average 2002 sale price for units in the 288-unit tower and 30 town homes was in the $270,000 range. The site itself is similar to Precinct 1 at Franklin Station, a non-rectangular shape with a highway directly abutting it and roadways surrounding it. Its immediate surroundings include supportive housing units. It replaced an abandoned electrical company building and a gas station. While it does not have direct access to LRT, it is located at the edge of downtown, but more than 12 blocks from the downtown's center on Nicollet Mall.

Since it has been built, it has changed the market for the area and two additional major residential towers have been planned nearby and approved for the Elliot Park Neighborhood.

An example of transit oriented development that is not located downtown, but which also creates a new market is the Reflections in Bloomington, Minnesota. This 17 story, 270-unit all glass twin-tower condominium complex is located at 34th Avenue at the "Bloomington Central Station". Prices for units under 700 square feet are selling in the mid $160's while a unit of about 1100 square feet costs $340,000. Consumers in the market area for the Reflections have higher median household incomes, but other features of the Reflections are similar to a development at Franklin. Part of a planned 170 acre Central Station area, the Reflections will be surrounded by mixed-use development. While Franklin Station is two stops from Downtown Minneapolis, the Reflections are one stop from the Mall of America. The developer of Reflections, McGough Development says that buyer response has been strong even though marketing efforts have just begun. It credits "being next to a station on the light-rail line connecting downtown Minneapolis and the airport."[9]

Other buildings are currently being developed along the LRT line at 50th Street Station and near the 38th Street Station. Two of these properties are condominiums with pricing in the mid-$100s to mid-$200s. The 38th Street Station development is a senior cooperative containing 50 units.

[9] Source: *Minneapolis Star Tribune, No windows, no balcony but walls made of glass,* October 11, 2004

Industrial

Uses in the station area remain somewhat mixed, with industrial interspersed along and either side of Hiawatha Avenue. In general, demand for industrial space in the metropolitan area is weak, with vacancy rates ranging from 11.6[10] to 17.2%[11]. However, for areas such as the Franklin station area, conversations with the City of Minneapolis indicate that demand exists for smaller size parcels. At least one acre would be required to accommodate facilities and parking. In the Minneapolis urban area near the Downtown there are a number of companies looking for land of this type to build new or to expand.[12]

Site-Specific Development Considerations & Impact of LRT

Population and income

The Franklin LRT Station redevelopment area lies within the Longfellow and Phillips Communities, specifically within their Seward and Ventura Village neighborhoods respectively.

Ventura Village neighborhood, which lies west of the light rail station, has a 2000 census population of 6769 individuals within 2330 households. Median family income was $25,045 and median household income was $19,405.[13]

Seward Neighborhood, which lies east of the light rail station, has a 2000 census population of 7174 individuals within 3721 households. Seward has been growing at a rate of 5.6 percent. The Median family income was $40,858 and the median household income was $30,209.[14]

By way of comparison, Minneapolis as a whole, with a 2000 census population of 382,618 within 162,352 households, had significantly higher median family and household incomes of $48,602 and $37,974, respectively.[15] Metropolitan Council forecasts predict that the City of Minneapolis will grow by more than 50,000 in the coming 25 years, to an estimated 435,000 by 2030.[16]

Hennepin County contains over 1.1 million residents and is projected to grow to almost 1.4 million by 2030. Of those residents nearly 700,000 are located in Minneapolis and its near to intermediate southern and western suburbs. Population projections for this market predict this population to grow by nearly 100,000 by 2030.[17]

By comparison to Minneapolis alone, a regional market that draws from Hennepin County suburbs significantly strengthens the potential for the sale or rental of market rate

[10] Source: National Association of Office Properties (NAIOP), through May, 2004
[11] Source: United Properties, year end 2004
[12] Interviews by Maxfield Research, Inc.
[13] Data Source: U.S. Census Bureau, Census 2000, and Minneapolis CPED
[14] Data Source: U.S. Census Bureau, Census 2000, and Minneapolis CPED
[15] Data Source: U.S. Census Bureau, Census 2000, and Phillips Neighborhood Network
[16] Metropolitan Council, Forecasts of Population, Households and Employment, January, 2004
[17] Metropolitan Council, Forecasts of Population, Households and Employment, January, 2004

housing. By comparison to the numbers given above, 1999 median family and household incomes for Hennepin County overall were $$65,985 and $51,711 respectively.[18]

Location, access, topography, infrastructure

The project area presents significant challenges, but also significant opportunities.

From a physical perspective, it is unique and difficult to unify. Located at the meeting point between downtown, former factories and major rail yards, the study area is intersected by large roads and right-of-ways. Cedar Avenue with its existing high power lines presents a broad vehicular swath with significant utility set back requirements. Intersected by a stretch of Franklin that enlarges to four lanes only within the project area, the quality of the pedestrian environment is poor.

Coupled with the intersection of these two major streets, additional thoroughfares present further challenges not only to non-vehicular travel, but also to the development of land parcels. West of Cedar, separate swaths of both Hiawatha Avenue and the Light Rail line cross over the development area at a diagonal, bridging Franklin. Adjacent Hiawatha exit and entrance ramps create odd shaped parcels that belong to the Minnesota Department of Transportation. Finally, Minnehaha Avenue, a truck route, also at a diagonal, joins onto Cedar Avenue at the north end of the project area, further cutting up development parcels and scattering the area with heavy-traffic intersections. Along the north of the project, Interstate 94 bounds the area with a significant barrier, dictating traffic flow by the layout of its access points. North of Franklin between the Light Rail Station and Hiawatha, a large light industrial looking rail garage facility occupies almost all of the space in the quadrant of land northwest of the station.

The result is a multi-level, oddly shaped assortment of parcels squeezed between major highways and arterials and infrastructure, owned by numerous owners both public and private. In some cases reassembly will be required. Creative use of the terrain will be required if a street front environment is to be achieved. Throughout the area significant attention must be given to access and traffic flow.

The advantages of the area are also notable. Viewed as a location on a map of Minneapolis, the Franklin Station area is central to many amenities. The downtown and peripheral Hubert H. Humphrey Metrodome sports stadium is only two LRT stops away.

[18] Data Source: U.S. Census Bureau, Census 2000

Interstate 94, which connects Minneapolis and St. Paul, runs along the area's northern edge, making it accessible from both cities. Hiawatha Avenue is a major arterial connector with south Minneapolis, the international airport, and the Mall of America in Bloomington. Franklin Avenue is a significant east/west arterial connecting the neighborhoods of Minneapolis. Cedar Avenue connects the area to the University of Minnesota. Augsburg College housing is so nearby that the station area is within walking distance.

While terrain in the area is a challenge for pedestrian walkways and street frontages, it is a boon to providing underground parking, which can be readily accessed from Franklin or Cedar for developments on the east side of the rail station. The height of the quadrants around the station make it possible to locate residential buildings so that they command magnificent views of the downtown skyline to the northwest and the Mississippi river to the east. Careful planning, can take advantage of these unrecognized assets.

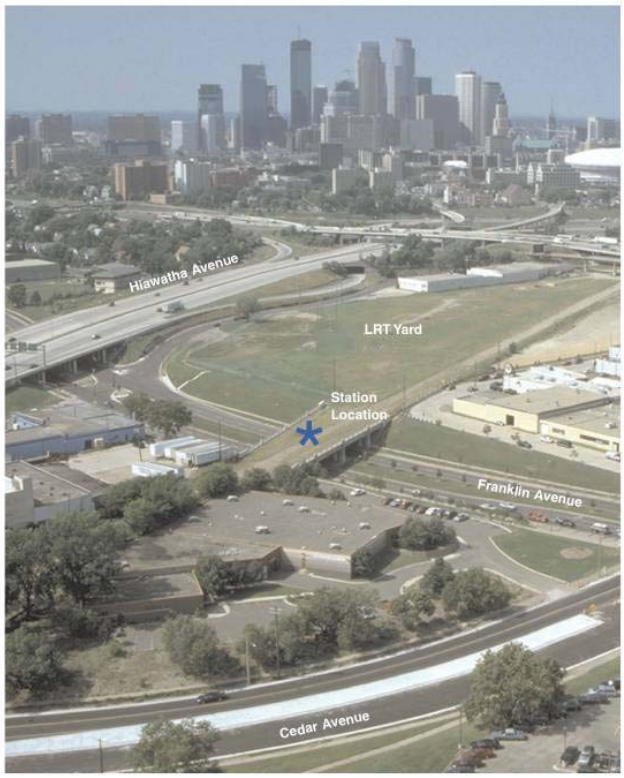


Figure 4 – Aerial View of Station Area

One example of planning to best use siting and terrain is the Implementation scenario's suggestion to site a residential tower at the south side of Precinct 1 (See Figure 3) with lower buildings to its north, so that high value residential units can be built in the higher levels of the tower without any obstruction of their view toward the downtown skyline. This advantage could not be realized if another tower like the office tower proposed in the Master Plan were located to the north on the Franklin edge of the LRT yards, where it would obstruct this view.

<u>Parcels, ownership and adjacent uses</u>

The station redevelopment area is comprised of oddly configured lots, the remnants of land left over after roads and rail lines carved through them. Their shapes are almost never rectilinear. Overpasses, underpasses and highway access ramps alter their terrain.

Most of the land contains existing uses but much of it is underutilized. Relatively inexpensive industrial space occupies portions of the quadrant southwest of the station (see Precinct 1), but these buildings also utilize (and in fact fence off) a remnant of the publicly owned old Cedar Avenue, as well as highway department land not occupied by actual highway. Three ownership groups, two of them interrelated own the private land.

Land to the north of Franklin Avenue, from the light rail station west to the edge of the development area is owned by either government or tax exempt organizations. East of the station, (Precinct 3 and part of 8) there are only four private owners of about 3.4 acres. The American Indian Opportunities Industrial Center (AIOIC), also an exempt organization owns the site southeast of the station (Precinct 2).

Most of the nearly 12 acres of the land directly around the station is held by a mix of just over a dozen private owners, and about eight government or tax exempt organizations. While site assembly of this magnitude poses economic and practical challenges, the ratio of ownership to land area is actually reasonably good, calling for a simpler process than is often found where land reuse is contemplated for parcels with many small property owners.

In addition, the Implementation Scenario being proposed with this report contemplates first or second phase redevelopment of parcels owned by only two to four private owners of any given development parcel, making each prospective step more manageable. With a few exceptions, there is also opportunity to involve existing owners in the redevelopment of their own parcels as potential owners or tenants in redeveloped sites.

Current uses of the development area include institutional and industrial uses, entertainment and retail as well as academic uses. Augsburg College is an adjacent use that may provide a market for later phase housing. Nearby industrial uses can provide employment.

One existing use, that should be considered a potential asset, is the established set of entertainment venues located just east of the station area. These establishments have a regional draw and coupled with the motorcycle related businesses also nearby, create a kind of edgy attraction that could be built upon to create an area identity. Analysis of their target markets indicates that these businesses draw from a variety of age groups and income levels, from throughout the metropolitan area.

The flip side of that potential is concern about their inappropriate integration into a surrounding area that will be essentially residential. The physical separation of these uses by roads and streets as well as the proper regulation of outdoor entertainment, its sound and activity, can solve this concern. A careful marketing concept for the entertainment area can result in the attraction of mainstream and upper income clientele – the category of buyers who might also feel comfortable living in a mixed-to upper-income development of urban condominiums or loft style residences nearby.

Finally, some uses in the area will need specific attention and elimination if a high quality transit and residential environment is to be created. Particularly, the uses on the southwest quadrant from the station (Precinct 1) currently present both hazardous and incompatible environments for a transit oriented development. The chain link fences that surround them and block the public street, cut off pedestrian flow to and from the station. The outdoor storage of used industrial parts, spilling onto publicly owned land, while perhaps overlooked in a strictly industrial area, are strong aesthetic disincentives to investment in a potential transit oriented residential center. In short, these uses are incompatible, and unless replaced, likely to prevent significant area reinvestment.

Impact of LRT on station area

With the advent of LRT, the convenience of travel to this station area from downtown, makes this an exceptional redevelopment area.

Light rail transit alone will not justify the level of development proposed by the Implementation Scenario, but it clearly adds to its potential success. In the context of a unified and comprehensive strategy and plan, it represents a strong positive factor likely to help in the development of a new and entirely different market for the area

As discussed above, at nearby Lake Street, the opening of the Hiawatha LRT has already influenced the demand and lease rates for office space within walking distance of the LRT. Properties closer to the LRT line are being promoted at lease rates toward the upper end of the local market range near $12.00 to $13.00 per square foot. In addition, it has been found that retail lease rates are much more sensitive to the proximity to the LRT than is office space.

Finally, the boom in urban multi-family residential development, owned and rented, that is occurring in downtown Minneapolis is much more likely to extend to this relatively nearby area because of light rail. In many cases, the use of light rail makes this location closer to Minneapolis downtown, in terms of time traveled by transit, than many locations now being developed (that are considered) downtown, but blocks away from the city's center. Light rail from this station also provides the additional advantage of easy travel to points south, including the international airport and the Mall of America.

Master Plan and Implementation Scenario

The **Master Plan** is summarized in outline form below. It contained the following features (See Figures 1A and 1B):

1. Four parcels adjoining the rail station:
    - a high-rise office building complex located north of Franklin between the LRT station and Hiawatha Avenue South with structured parking to its north within the new LRT shops area
    - opportunity for future commercial development on the site south of Franklin between the LRT line and Hiawatha Avenue South
    - no new development on the parcel southeast of the light rail station
    - new and existing uses on the parcel northeast of the LRT station with street frontages on Cedar and Franklin, surrounding integrated parking

2. Infrastructure changes:
    - intersection reconfigurations along E. Franklin at Cedar and at Minnehaha Avenues south
    - relocation of the high power lines located along the west side of Cedar between Franklin and 20th Avenue
    - a pedestrian friendly narrowing and streetscaping of Franklin Avenue, removing the north two lanes of the street from the LRT station through the underpass beneath Hiawatha
    - replacement of a portion of the noise wall southwest of the Hiawatha overpass at Franklin with new commercial development to bring activity closer to Hiawatha Avenue
    - a public green north of Franklin between Cedar and Minnehaha to 20th Avenue and another green space west of Hiawatha, north of Franklin

The **Implementation Scenario** makes market driven adjustments to the Master Plan. It is summarized in outline form below and contains the following features (See Figure 3):

1. Four parcels adjoining the rail station:
    - a high or mid-rise residential building complex located south of Franklin between the LRT station and Hiawatha Avenue South
    - one story convenience retail on the site north of Franklin between the LRT station and Hiawatha Avenue South
    - new residential development on the parcel southeast of the light rail station
    - new and existing entertainment uses (including a possible cultural dinner theater) on the parcel northeast of the LRT station with street frontages on Cedar and Franklin, surrounding integrated parking

2. Infrastructure changes:
    - a road reconfiguration at the intersection of E. Franklin at Minnehaha Avenue south
    - relocation of the high power lines located along the west side of Cedar between Franklin and 20th Avenue
    - a pedestrian friendly streetscape and plaza design for Franklin Avenue from east of Cedar Avenue through the underpass beneath Hiawatha
    - replacement of a portion of the noise wall southwest of the Hiawatha overpass at Franklin with new residential development to bring activity closer to Hiawatha Avenue
    - extension of 22nd Street South connecting Minnehaha and Cedar Avenues South to facilitate traffic flow and enhance access to the development parcel to its north
    - relocation and realignment of 9th Street with 20th Avenue South

3. Additional Features:
    - new mixed use buildings on the parcel north of Franklin between Cedar and Minnehaha to 20th Avenue
    - a new mixed-use, supportive living residence on the parcel west of Hiawatha, north of Franklin
    - a new mixed-use clinic and residential development on the CUHCC clinic site south of Franklin between Bloomington and 15th Avenues south, a residential building to its east, and a new office building at the intersection of Franklin and 15th Avenue
    - assorted commercial and mixed-use commercial/residential buildings east of Cedar**,** with an optional single-use office headquarters south of Franklin
    - new mixed use or institutional training buildings south of the 22nd Street connector between Minnehaha and Cedar, with the optional renovation or reuse of existing industrial buildings further south along Snelling, to create an additional entertainment, live/work, loft living destination
    - Grocery/restaurant retail uses on two sites on either side of Cedar, north of the intersection where 20th Avenue and 9th Street meet.

Market Analysis of Redevelopment Components

Master Plan early phase components

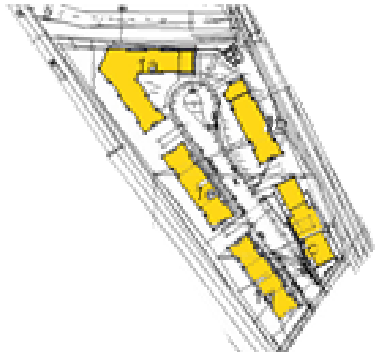
The master plan contemplated a high-rise office building complex located north of Franklin between the LRT station and Hiawatha Avenue South (Parcel 3e,) with structured parking to its north within and above the new LRT shops area. The marketing concept for this office development was based upon the need to create a significant catalyst that would help define a new character for the area. Coupled with this development, a pedestrian friendly narrowing and streetscaping of Franklin Avenue was contemplated. For the purpose of creating an adequately deep building site, the Master Plan would remove the north two lanes of the street from the LRT station through the underpass beneath Hiawatha. The enhanced pedestrian environment was intended to complement the new office environment and create a stronger walking connection between Seward and Ventura Village neighborhoods.

The Master Plan office tower and accompanying landscape changes were to represent positive inducements to redevelopment of the station area, and hence strengthen the market. Since the Master Plan was written, a fundamental market impediment has developed. The primary government tenant for the office high-rise is no longer considering construction on this site. To date, there is no other potential major tenant. That being the case, office development in this location must now depend upon the strength of the general office market. Meanwhile, office demand has weakened. With metropolitan vacancy rates hovering at twenty percent, and with the nearby competing Minneapolis downtown leading the way in high vacancy, the development of a major office tower in the Franklin Station area becomes very unlikely—a problematic catalyst for additional development.

Implementation Scenario early phase components

The revised Implementation Scenario shifts its initial focus to a mid-to-high-rise residential building complex located south of Franklin between the LRT line and Hiawatha Avenue South (Precinct 1) as a catalyst to redevelopment. Two approaches to the development of this complex are offered.

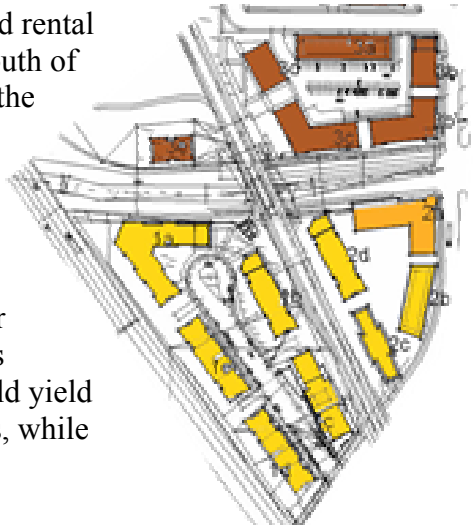
First, under the basic phasing plan developed for this study (See Figure 5) a single-precinct complex containing about 400 units, 170 to 200 units of owner occupied and 200 to 230 units of rental, could be developed without the need to enhance the character and extent of the housing market in this area.[19] While development under this conservative approach would pose challenges from the standpoint of financial feasibility (See Financial Feasibility analysis below), from a market demand standpoint, its unit numbers would be appropriate to existing demand.



[19] Maxfield Research, Inc.

Figure 5 – Implementation Scenario (Phasing)

A more aggressive, and potentially more promising course of action would create, as one unified development, a larger residential complex incorporating this parcel (Precinct 1) with the land to the east between the rail line and Cedar (Precinct 2). As later discussed in our recommendations, these two precincts of housing would be coupled in a master development plan with the northern two quadrants around the station as one complete undertaking.



In this scenario, a mix of approximately 625 owned and rental units would be located in approximately 9 buildings south of the station on both sides of the light rail line. Most of the units in Precinct 1 would be owner-occupied condominium units, particularly units in the 23-story tower with views toward downtown or the Mississippi. Most of the 224 units proposed for Precinct 2 would be rental. A possible configuration would designate as rental units, ground level and lower level units in both Precincts 1 and 2 together with units located above retail in Precinct 2, parcel 2a. This would yield an appropriate mix of 375 to 425 owner occupied units, while 200 to 250 would be developed for rental.

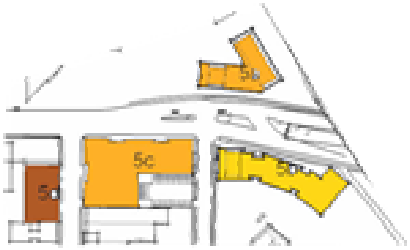
This density does not exceed our projected absorption rate for rental units, but the a new market would have to be created to more than double the current demand for owner-occupied units. We believe that using strategies described below, a market for the number of owned units contemplated in this expanded scenario could successfully be marketed.

From a regional perspective, the Franklin Station area, located just two light rail stops from downtown Minneapolis, can be marketed as an alternative to more expensive downtown living. With the advantage of light rail at its doorstep, access to downtown amenities would in many cases, be easier than the access enjoyed by many condominium residents located just a few blocks or more from the center of downtown. As explained in more detail below, a mixed-use residential development sufficiently comprehensive to change the character of the Franklin Station area could make existing demand figures unrealistically conservative.

One important impetus to this enhanced market would be the upgrading of streetscape along that section of Franklin adjacent to first phase residential development.

Other early phase components in the Implementation Scenario include a new mixed-use, supportive living residence on the parcel west of Hiawatha, north of Franklin (Parcel 5a). Market demand for this residence is assured because of its supportive housing nature and pricing. The non-profit organization contemplating the development of this housing is expected to provide its own financial assessment and resources for this development.

A new mixed-use clinic and residential development on the Community University Health Care Center (CUHCC) clinic site is also included as an early phase component. This site is south of Franklin between Bloomington and 15th Avenues south (Parcel 5c).



The Implementation Scenario anticipates a four story mixed-use building fronting Franklin Avenue, containing approximately 60,000 square feet of medical office/clinic space with three stories of about 48 residential rental units above it. While these units may compete in the near term with rental units in Precincts 1 and 2, timing will determine whether direct competition would result. Provided the CUHCC Clinic project is planned and developed expeditiously, it could come on line in the market before site assembly and development of the full complement of residential units anticipated for Precinct 1 (and possibly 2) could be completed. In any event, the significant change in the residential character of the station area that would result from an expanded Precinct 1 and 2 development would likely increase overall housing demand sufficient to accommodate both the CUHCC site development and the Precinct 1 and 2 residential complex. A well-designed mixed-use clinic and residential use at the current site of the CUHCC clinic would help, from a market standpoint, to advance the positive residential image desirable to achieving the entire station area plan.

Finally, among the early phase components of the Implementation Scenario, it is anticipated that approximately 3600 square feet of retail will be contained in Precinct 1. Additional retail of about 5700 square feet is anticipated in the mixed-use supportive housing building located in parcel 5a west of Hiawatha and north of Franklin. Together these two retail uses fall within the near term 8,000 to 10,000 square foot absorption potential for the area. Demand for these retail uses will depend additionally upon their character, market segment and accessibility. Additional retail likely to be contained in Precinct 2 will depend upon developing the retail market with higher density housing and a concentrated critical mass as discussed later in this analysis. Precinct 2 retail might include as much as 15,000 square feet (although that space might also be reserved for institutional use by the AIOIC). Related service uses such as small professional, or medical offices might also serve to absorb this space.

Master Plan later phase components

The Master Plan suggested that the site south of Franklin between the LRT line and Hiawatha Avenue South (Precinct 1) presented an opportunity for future commercial development. While existing demand for retail is limited, some limited office and retail growth could be expected over a period of years provided existing uses on the site were terminated and the property acquired. The economic feasibility of doing this however, is questionable, as discussed below. The parcel southeast of the light rail station was not targeted for new development, perhaps out of concern that the existing non-profit AIOIC on the site might have no interest in exploring redevelopment opportunities for its site.

Existing entertainment uses, coupled with new retail and mixed-use options were proposed for the parcel northeast of the LRT station, with street frontages on Cedar and Franklin. These would surround integrated parking. The Implementation Scenario outlined with this study essentially adopts this category of uses. The concepts for these uses in the Master Plan remain viable, except for the fact that adjoining uses need to be changed from office uses to residential development to catalyze the market growth required to optimize development of this parcel.

Industrial demand of about 25,000 square feet of light-industrial uses was identified in the Master plan. It was not tied to specific parcels. Remaining parcels outside the four quadrants adjacent to the LRT station are already largely developed, mostly with ongoing industrial uses. While continuation this demand remains conceivable, for particular industrial uses, site acquisition or redevelopment within an economically feasible scenario becomes a difficult defining issue.

Finally, the Master Plan identifies a number of amenities and infrastructure changes that would enhance the character of the area. They include intersection reconfigurations along E. Franklin at Cedar and at Minnehaha Avenues south, relocation of the high power lines located along the west side of Cedar between Franklin and 20th Avenue, replacement of a portion of the noise wall southwest of the Hiawatha overpass at Franklin (with new commercial development to bring activity closer to Hiawatha Avenue), and two public greens, one north of Franklin between Cedar and Minnehaha, north to 20th Avenue, and a second west of Hiawatha, north of Franklin.

The Implementation Scenario retains recommendations to relocate the high power lines and to reconfigure the sound wall. Reconfiguration of one intersection is also retained with a different configuration of surrounding land. These infrastructure changes, under the Master Plan would enhance the aesthetic character of the area, and hence would improve the competitive status of the market for surrounding development. Under the Implementation Scenario the economic challenges raised by these infrastructure changes, and revisions made to the plan are tied more to financing considerations than to market impediments.

Implementation Scenario later phase components

Development on two quadrants (Precinct 3) adjoining the rail station, north of Franklin, might begin as Phase 1 or as part of an expanded Phase 2. The Implementation Scenario contemplates a one story convenience retail building on the site north of Franklin between the LRT station and Hiawatha Avenue South (Parcel 3e) and the addition of new complementary uses (including a possible cultural dinner theater) to existing entertainment uses on the parcel northeast of the LRT station (Precinct 3, parcels a-d). This entertainment center would have street frontages on Old Cedar, Cedar and Franklin, surrounding integrated parking.

Coupled with development of the two quadrants adjoining the rail station to the North, the Implementation Scenario also suggests development of a new residential development on the parcel southeast of the light rail station (Precinct 2). These two precincts (2 and 3) make up the most significant portion of Phase 2 development.

The Implementation Scenario addresses the lack of speculative office demand by replacing a proposed office tower (Master Plan) with a one-story retail building on Parcel 3e. While even the 6,000 square feet of retail that this building represents, is in excess of existing retail demand (once retail has been built in Phase 1), a retail use at this site is a far safer proposal, given the change in office market conditions, than the tower proposed for the Master Plan. The site is suited to transit oriented convenience retail since it is directly adjacent to the light rail station, and will be built at the same elevation within easy view of rail passengers. While it is less convenient to motor traffic, a level above the street, the correct mix of convenience retail appealing to light rail traffic is likely to succeed here.

Market for the 43,800 square feet of entertainment uses contemplated in Precinct 3 (Parcels a-d) depends upon development of a destination entertainment and dining hub. Further discussion of how this can be developed is contained below under "Market Development." The location of this precinct adjacent to the light rail station, within minutes of downtown and south Minneapolis by rail, is advantageous for development of this type of node. The location is also within easy traveling distance from both St. Paul and Minneapolis by car, with major connections available on Cedar from I-94 and from Franklin Avenue and Highway 55. Current entertainment establishments, which might

occupy some of the projected new space, already draw regionally for entertainment acts that perform at this site--particularly the Cabooze, which seats 900 customers for live entertainment.[20]

Another use on Precinct 3 could be a Native American Dinner Theater and Cultural Center. The American Indian OIC, currently located on Precinct 2 has studied the possibility of locating such an attraction in the area, although on either Precinct 1 or 2. That AIOIC study[21] analyzes making it a part of a mixed-use facility that also incorporates approximately 30,000 square feet of office and training facilities required by the AIOIC for its services. The Implementation Scenario contemplates separating these uses and locating only the theater/cultural center in Precinct 3. This would achieve the same visibility from Light Rail suggested in the study, and would add the advantage of putting the center in an entertainment related area to contribute to and benefit from the draw of the greater node.

While financial and fund raising issues become a factor in this center's feasibility, from the standpoint of market it represents an appropriate component for Precinct 3.

The market success and timing of housing developed on Precinct 2 depends upon the development strategy undertaken when Precinct 1 is planned and developed. If Precinct 1 is developed as a single site residential complex containing about 400 units, 150 to 175 units of owner occupied and 225 to 250 units of rental, nearly all of the existing market for housing in the local area would be absorbed, precluding the addition of more housing on Precinct 2 for at least 5 additional years.

Additional second phase development suggested in the Implementation Scenario includes a new three-story office building at the intersection of Franklin and 15th Avenue (Parcel 5d). This building, containing approximately 34,000 square feet would at present, need to be pre-leased or built to suit. Office demand would not justify its construction on speculation. Targeted correctly, there is demand from small businesses as well as from larger major employers who require back office space. Industry sectors that have continued to expand their office space include health care, medical technology, the bio-medical industry and health care administration, any of which might complement new Phase 1 development at the CUHCC clinic site. Financial services, specifically mortgage and mortgage capital services have also been in expansion mode, however changes in that market, dependent on current economic conditions, should be assessed at the time this development is being considered.

[20] Interview with Jimmy Brown and Gary Schmalzbauer, owners, The Cabooze
[21] *An American Indian Dinner Theater and Cultural Center At Franklin Avenue Light Rail Station: A Feasibility Study*, May 12, 2003, by Merrie A. Sjogren

The market for new mixed use buildings on the parcel north of Franklin between Cedar and Minnehaha to 20th Avenue (Precinct 6) as well as assorted commercial and mixed-use commercial/residential buildings east of Cedar (Precincts 4 and 7 and parcels 6c, 6d and 6e of Precinct 6), and a new residential building of 68 units southwest of Franklin and Hiawatha (Parcel 5b)[22] will need to grow from the development of the four quadrants around the light rail station. Demand based upon present local markets, without growth resulting from a larger regional draw, will not be sufficient to support this redevelopment.

Within the context of the larger phased Implementation Scenario and its suggested phasing, it is believed that a market can be developed for these uses. The same can be said for new grocery or restaurant retail uses on two sites (Parcels 8a and b) on either side of Cedar, north of the intersection where 20th Avenue and 9th Street meet.

Eventually, the Implementation Scenario contemplates the possibility of new mixed use or institutional training buildings south of the 22nd Street connector between Minnehaha and Cedar, with the optional renovation or reuse of existing industrial buildings further south along Snelling, to create an additional entertainment, live/work, loft living destination. While this would probably occur after most of the other phases of the Implementation Scenario were complete or at least underway, this suggestion would be consistent with the concept of growing a destination entertainment and housing market around the Franklin Station. The market for this spin-off development is only speculative at this time, depending too heavily on variables of development that need to precede it. The concept however is consistent with the intent of the area's development.

Finally, one additional optional use could fit appropriately into the Implementation Scenario. The parcels located between Cedar Avenue and Hiawatha, south of Franklin, (in Precinct 4) could alternatively be used for a single-use office headquarters. While this would be dependent upon the identification of a major office user, speculation that one might exist, makes it appropriate to at least affirm that this use would be appropriate in the area, and would bolster the market for entertainment, housing and retail.

Under the Implementation Scenario, infrastructure changes related to later phase development are intended to enhance access to, and the character of development sites included in the Implementation Scenario. For example, the relocation of the high power lines located along the west side of Cedar between Franklin and 20th Avenue (between Precincts 2,3,4 and 6) is essential to building marketable retail and entertainment near Cedar and Franklin.

[22] Current interest in this parcel 5b, for a one-story senior residential unit has also been expressed. The market for this use will require separate analysis, but its timing, could be moved up to Phase 2, and could relieve general housing market competition in the area since this compatible but non-competing use would draw from a different set of consumers.

A pedestrian friendly streetscape and plaza design for Franklin Avenue from east of Cedar Avenue through the underpass beneath Hiawatha (Franklin touching all Precincts except 7 & 8), is part of developing an attractive environment for entertainment, retail and housing. Relocation and realignment of 9th Street with 20th Avenue South (Between Precincts 3 and 8) provides necessary traffic flow to Precinct 3 to permit the parking and accessibility that a successful entertainment node would require.

Further from the rail station, to make its adjoining parcels more marketable, an extension of 22nd Street South connecting Minnehaha and Cedar Avenues South will facilitate traffic flow and enhance access to the development parcel to its north (between Parcels 4c and 4d of Precinct 4 and Parcels 7a and 7b of Precinct 7, west to Precinct 2). A road reconfiguration at the intersection of E. Franklin at Minnehaha Avenue south will do the same for Precincts 4 and 6, not only enhancing access, but helping to create a better, more appealing pedestrian experience near the intersection of Cedar and Franklin.

Finally, replacement of a portion of the noise wall southwest of the Hiawatha overpass at Franklin will permit the development of new residential development that can enhance the sense of safety and marketability by bringing pedestrian activity closer to Hiawatha Avenue (Parcel 5b).

Impact of parcel grouping and phasing

The Master Plan began with the concept of creating a catalyst site that would spur additional development around it and create a different market. That plan began with the site north of Franklin and just west of the light rail station.

While the concept of catalyzing new development with a character-changing addition to the area is a good one, market forces have changed. The new Implementation Scenario adopts the concept of the Master Plan but refocuses its early phase emphasis to the site across Franklin to the south (Precinct 1).

Two phasing strategies are considered. They entail different approaches to parcel grouping and phasing. The first, conservative approach takes Precinct 1 alone, placing essentially all of the existing demand for housing, and most of the retail demand on that one site.

The second approach groups Precinct 1 with Precincts 2 and 3, creating an interdependent development cluster, and suggests that all of the planning and development strategy involved for those three precincts should begin as Phase 1. From a financing and strategic development standpoint, it may still be possible to phase appropriate portions of the development within those precincts, to permit pre-sales or pre-leasing, or to begin generating cash flow from a portion of the development before investing in the construction of the rest. But the three precincts would be developed as one unified whole.

From a market standpoint, there is much to recommend this second approach. While the first approach exhausts existing historical demand, the second approach seeks to expand demand by creating a whole new market, an environment in which purchasers and tenants see the area in a new light.

From an immediate market standpoint the conservative approach, developing only Precinct 1 in Phase One, would seem safer, but because it would do less to introduce higher priced ownership housing, and would exhaust the lower priced rental market, it would have less market impetus for the development of later phases. The risk in that approach would not be that redevelopment could not begin, but that it could not continue.

The second, more aggressive approach would introduce a new set of economics, discussed below, that would permit the introduction of a much greater share of owner occupied condominium or other owner-occupied units, many of which could be priced in the high end of the regional market. A greater distribution of housing types and pricing could be introduced all at once, and in much higher numbers. The catalytic effect of that approach would hold much stronger potential to motivate investment in later phase areas, blocks 4, 6 and 7 in particular, and to some extent in block 5 housing as well.

Impact of streets, parking & infrastructure

Infrastructure and street changes, as well as the creation of parking are motivated both by market considerations, and practical financial concerns.

The Master Plan contained significant street and infrastructure investments along Franklin. The narrowing of Franklin was motivated in part by a desire to make that street more pedestrian friendly. That ordinarily would make development along the street more marketable. In addition, the narrowing was intended to help create a development site for the office tower on what is now labeled parcel 3e. Since that parcel, under the Implementation Scenario, no longer requires a larger area, the costs of narrowing Franklin for market considerations alone, would not be justified.

The same can be said for two public greens contemplated in the Master Plan. While they created aesthetic amenities, they were not situated to generate a stronger immediate development market. Nevertheless, their costs would have to be born by new construction.

The Implementation Scenario follows the philosophy that infrastructure improvements, street changes, and new parking should follow the needs of the market and be tied as directly as possible to development immediately impacted by them.

Under this philosophy, it is recommended that initial, lower cost streetscape improvements should be made to Franklin upon the construction of residential units in Precinct 1. These improvements would enhance the character of Franklin Avenue between Cedar and Hiawatha, and predict a better pedestrian and aesthetic environment when pioneer prospective homebuyers or tenants first begin to assess the new character of the area.

If Precincts 1, 2, and 3 are all made part of an initial development cluster, adjacent street and sidewalk changes and a pedestrian plaza along Franklin, as well as under-bridge improvements at Hiawatha are included as part of that development. These would be critical to marketing this larger, more character-changing development plan. The power lines along Cedar would also have to be moved, but only to create the necessary development parcels.

Finally, the urban aesthetic would be greatly enhanced by a reconfiguration of the intersection of Minnehaha with Cedar and Franklin. This would be positive for the market, as would an extension and upgrade of the Franklin landscaping both east and west, as third phase development begins.

Financial Feasibility Analysis of Redevelopment Components

Master Plan early phase components and infrastructure

The master plan contemplated a high-rise office building located north of Franklin between the LRT station and Hiawatha Avenue South (see Parcel 3e) with structured parking to its north within and above the new LRT shops area. Coupled with this development, a pedestrian friendly narrowing and streetscaping of Franklin Avenue was contemplated.

For the purpose of creating an adequately deep building site, the Master Plan would remove the north two lanes of the street from the LRT station through the underpass beneath Hiawatha. Under a Master Plan scenario that contemplated a governmental use for the building, the substantial cost of construction including a parking ramp and other related infrastructure changes would have been funded primarily from governmental revenue sources.

No new assessable value would result unless the building were privately owned and taxed. In that event, some use of tax increment financing might be available, but beyond the support provided from that, the lease rates paid by a governmental tenant would ultimately have been the source of the remaining funding.

Even assuming a market for a large privately owned office tower, leased to or owned by private tenants, the total value and volume of that office tower as described in the Master Plan would not be as large as the size and values contemplated for the Implementation Scenario's alternative Precinct 1 residential complex. Since the Master Plan's office complex is no longer market feasible, specific financial feasibility and value comparisons have not been calculated.

Implementation Scenario early phase components and infrastructure

The revised Implementation Scenario shifts its initial focus to a residential building complex located south of Franklin between the LRT line and Hiawatha Avenue South (See Precinct 1) as a catalyst to redevelopment. Two approaches to the development of this complex are offered. QSA has developed a financial model to analyze the economic impact of each of these.

First, under the basic phasing plan developed for this study (See Figure 5) a single-precinct complex containing about 400 units, 170 to 200 units of owner occupied and 200 to 230 units of rental, would be developed. It is also anticipated that approximately 3600 square feet of retail would be contained in Precinct 1.

Existing assessed values for that Precinct are now less than $1 million. Under the assumed Implementation Scenario, newly constructed value would exceed $130 million.

Development under this conservative approach would be appropriate to existing market demand. Assuming the market rate sale of owned residential units and the market rate rental of apartments, to provide positive cash flow, sustain the reasonable cost of property acquisition and approximately $600,000 worth of streetscape and infrastructure costs, the project would require the application of about sixty percent of roughly $25 million in tax increment revenue generated.[23]

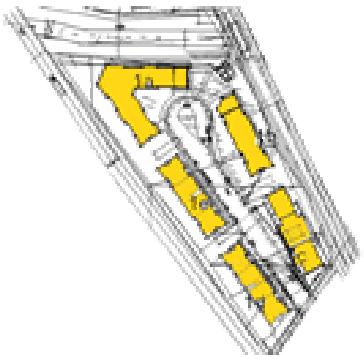
Funding for affordable housing units within this scenario would need to come from a more generous use of the tax increment revenues, or from other sources.

A second approach would create a development cluster, incorporating a larger residential complex comprised of this parcel (Precinct 1) and the land to its east (Precinct 2) into a master development plan that also includes the northern two quadrants around the station.

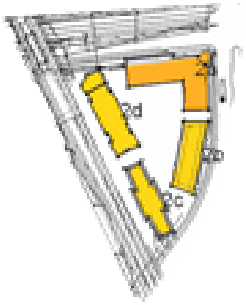
In this scenario, a mix of approximately 625 owned and rental units would be located in approximately 9 buildings south of the station on both sides of the light rail line. Most of the units in Precinct 1 would be owner-occupied condominium units, particularly units in the 23-story tower. Most of the 224 units proposed for Precinct 2 would be rental. This would yield an appropriate mix of 375-425 owner occupied units, while 200-250 would be developed for rental. Precinct 2 retail might include as much as 15,000 square feet -- or that space might also be reserved for institutional use by the AIOIC.

Existing assessed value for all three Precincts combined are now just under $3 million dollars.[24] Under the assumed Implementation Scenario, newly constructed value would exceed $200 million.

[23] Assumes 6%, 15-year mortgage financing of rental portion.

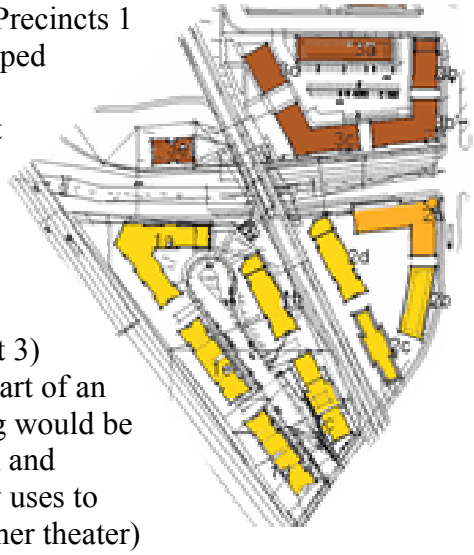


Under this approach, analyzed alone, Precinct 1, with its increased owned residence sales and reduced rental properties would generate sufficient return from sales alone to nearly pay for its own entire development. With market rate rental revenues it would yield a positive cash flow on the remainder of its financing and generate over $25 million in total tax increment over 25 years.



On the other hand, Precinct 2, with about 180 of its units built as rental units, would not generate a positive cash flow. In fact even if all of its approximately $11 million generated in tax increment were applied, it would suffer about a half-million dollar shortfall per year. (This could be altered to about break-even if the number of rental units were reduced by approximately 30, replacing them with owner occupied units. If precinct 2 were developed as entirely owner-occupied the results would be even better. Market and policy considerations however, might indicate against this.)

While analyzing these two precincts separately, Precinct 2 financing obstacles arise, by taking Precincts 1 and 2 together, without changing the original owned to rental mix, the two precincts begin to have a positive cash flow after applying only the tax increment revenues from Precinct 2. That would leave all of the approximately $25 million TIF revenue from Precinct 1 available for other applications.[25]



The discussion above is illustrative of the economics of just Precincts 1 and 2. But it is actually recommended that if they are developed together, they be combined further with Precinct 3, because infrastructure and road improvement costs related to Precinct 2 cannot be easily separated from Precinct 3, and because most of the revenue to sustain significant infrastructure and streetscape improvements will be generated from the two residential precincts.

In this approach, development on the two quadrants (Precinct 3) adjoining the rail station, north of Franklin, would begin as part of an expanded phase one. A one story convenience retail building would be located on the site north of Franklin between the LRT station and Hiawatha Avenue South (Parcel 3e) and new complementary uses to existing entertainment uses, including a possible cultural dinner theater) would be added on the parcel northeast of the LRT station (Precinct 3, parcels a-d).

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[24] Precinct 2, the AIOIC is tax exempt.

[25] These calculations assume that the AIOC would relocate from Precinct 2.

Assuming infrastructure and streetscape (including power line relocation) costs of approximately $2.4 million, development under this "master development" approach would generate about $41 million in tax increment[26], all of which would be required to bring cash flow for this development to break-even. A positive cash flow could be achieved by extending the mortgage financing on unsold portions of the development to 25 years.[27] In that event, most of the tax increment revenue would be available for other uses, or as additional revenue to the taxing authorities.[28] Another option for achieving positive cash flow would be to sell portions of Precinct 3 retail and entertainment to the business owners or other investors.[29]

Infrastructure cost assumptions for this model have been investigated and compiled by Hay Dobbs. They include streetscape, road, and utility improvements related to Precincts 1, 2, and 3 within the Implementation Scenario. Community input has also focused on the possibility of doing more extensive streetscape improvements to Franklin, even possibly building a land bridge over Franklin and relocating the Light Rail Station. Costs for these improvements are not included in the calculation above, but it is worthwhile to note that if they were to be included, they would need to be funded from any remaining tax increment available, or from some other governmental or charitable source--in competition with affordable housing options or revenue to local taxing jurisdictions.

Other early phase components in the Implementation Scenario include a new mixed-use, supportive living residence on the parcel west of Hiawatha, north of Franklin (Parcel 5a). The non-profit organization contemplating the development of this housing is expected to provide its own financial assessment and resources for this development. As part of a non-profit organization, its construction will not result in a change to the assessed value of the parcel.

A new mixed-use clinic and residential development on the CUHCC clinic site is also included as an early phase component. This site is south of Franklin between Bloomington and 15th Avenues south (Parcel 5c). The Implementation Scenario anticipates a four story mixed-use building fronting Franklin Avenue, containing approximately 60,000 square feet of medical office/clinic space with three stories of about 48 residential rental units above it. The CUHCC clinic is expected to provide its own financial assessment and resources for this development. Construction costs for a building of this nature might exceed $20 million. To the extent that some of it would be used for non-exempt purposes, for example the housing portion worth approximately $10 million, an increase in assessed value might occur for this site.

[26] Assumes that if an AIOIC dinner theater is included, this facility if owned, would be fully assessable, or if leased, would pay market rate rents.
[27] Otherwise the assumed term is 15 years unless noted.
[28] Examples might include provisions for a tax-exempt cultural dinner theater, or public support for affordable housing units.
[29] QSA's model assumes all Precinct 3 retail would be retained and rented therefore requiring financing.

Master Plan later phase components and infrastructure

The Master Plan suggested that the site south of Franklin between the LRT line and Hiawatha Avenue South (Precinct 1) presented an opportunity for future commercial development. While existing demand for retail is limited, some limited office and retail growth could be expected over a period of years provided existing uses on the site were terminated and the property acquired. The economic feasibility of doing this however, is questionable.

The current assessed value of the Precinct is just under $1 million. The expense of razing existing businesses and creating new construction on the site would not likely be supportable in the redevelopment of a low-density retail or office site. For example, the existing current assessed value of low-density retail and office structures on Precinct 3 is just under $2 million on a slightly larger site. At least half of the cost of construction of similar uses on Precinct 1 would represent the acquisition cost and lost value of the existing buildings. By comparison, the value of mid-to-high-rise residential buildings on Precinct 1 is estimated at about $130 million. There is no comparison in the scale of that value increase and its ability to cover site assembly and acquisition costs.

The parcel southeast of the light rail station was not targeted for new development, perhaps in deference to the existing non-profit AIOIC uses on the site. Therefore there would be no assessed value change there, from current tax-exempt status.

Existing entertainment uses, coupled with new retail and mixed-use options were proposed for the parcel northeast of the LRT station (Precinct 3), with street frontages on Cedar, old Cedar and Franklin. These would surround integrated parking. The Implementation Scenario outlined with this study essentially adopts this category of uses and the economics of creating this redevelopment are discussed below. It should be noted however, that developed as a single site, as would occur under the Master Plan, without the increased tax revenue support of adjoining precincts, the development would require significant public support. Before even considering related infrastructure costs, and with 100 percent of tax increment revenue reinvested in the project, the property acquisition, parking and building development alone would still have a negative cash flow of over one-half million dollars per year.

Industrial demand of about 25,000 square feet of light-industrial uses was also identified in the Master plan. It was not tied to specific parcels. Remaining parcels outside the four quadrants adjacent to the LRT station are already largely developed, mostly with ongoing industrial uses. Here also, as with redevelopment of Precinct 1, site acquisition and redevelopment of similar uses at similar densities would not be justified. Existing values would be replaced with similar assessed values. The cost of acquisition would include the demolition and replacement of buildings that have nearly as much current value.

Finally, the Master Plan identifies a number of amenities and infrastructure changes that would enhance the character of the area. They include intersection reconfigurations along E. Franklin at Cedar and at Minnehaha Avenues south, relocation of the high power lines located along the west side of Cedar between Franklin and 20th Avenue, replacement of a portion of the noise wall southwest of the Hiawatha overpass at Franklin (with new commercial development to bring activity closer to Hiawatha Avenue), and two public greens, one north of Franklin between Cedar and Minnehaha, north to 20th Avenue, and a second west of Hiawatha, north of Franklin.

The Implementation Scenario retains recommendations to relocate the high power lines and to reconfigure the sound wall. Reconfiguration of one intersection is also retained with a different configuration of surrounding land.

But except for those items of infrastructure retained in the Implementation Scenario, the remaining items would require public financing. Our economic modeling did not assign specific costs to these since it is unlikely they will ever be completed. There is little or no adjacent growth in development available under the Master Plan to create related tax revenue increases capable of supporting them, and considering that their costs would be in the millions of dollars, there are no other readily identifiable alternative sources of public funding apparent at this time.

Implementation Scenario later phase components and infrastructure

As discussed above, development on two quadrants (Precinct 3) adjoining the rail station, north of Franklin, might begin as Phase 2 or as part of an expanded Phase 1.

Considering this development as coming in a second phase (rather than coupled with Precinct 1 as discussed above), it would be comprised of residential development located in Precinct 2 (with about 15,000 square feet of retail or office) and retail in Precinct 3. A one story convenience retail building on the site north of Franklin between the LRT station and Hiawatha Avenue South (Parcel 3e) would be coupled with the addition of new complementary uses (possibly including a cultural dinner theater[30]) to existing entertainment uses on the parcel northeast of the LRT station (Precinct 3, parcels a-d).

These two precincts (2 and 3) would make up the most significant portion of phase 2 development. Their existing assessed values are now: for Precinct 2, zero (tax exempt) and for Precinct 3, less than $2 million. Under the assumed Implementation Scenario, their newly constructed values would exceed $53.4 million and almost $15 million respectively, for a total in excess of $68 million.

[30] As discussed under market considerations The American Indian OIC has studied the possibility of creating a Native American Dinner Theater and Cultural Center, although on different sites. The AIOIC would be expected to provide its own financial assessment and resources for this development (which at their option, might include revenue from their current ownership of Precinct 2).

Because this approach considers the market that would exist after Precinct 1 fully absorbed the market for rental and owned housing, a model for Precinct 2 would most realistically assume that most or all of the housing that came on line in the years that followed would have to be owner-occupied, for largely pre-sold property.

Assuming that 180 of the 224 housing units contained in the Implementation Scenario model would be owned, Precinct 2 alone would yield approximately $2 million in the sale of the residential property together with a gross positive cash flow from rents of just over $180,000.[31] Approximately $1.8 million in infrastructure, landscape and road improvements related to both Precincts 2 and 3, including power line relocation, would be covered in this calculation. New tax revenues from Precinct 2 would just exceed $11 million dollars[32].

Alone, Precinct 3 would show a much different financial picture. Even without including the infrastructure (already accounted for by revenues from Precinct 2), it would generate only about $2.7 million in new tax revenues (or less if a tax exempt dinner theater/cultural center were included). If that incremental revenue increase were used exclusively to defray redevelopment costs of Precinct 3, it would still leave the precinct development with almost $600,000 in annual cash flow deficits.[33]

Under the assumed model, the redevelopment of Precinct 3 would need to be combined with Precinct 2 so that a portion of Precinct 2's additional tax revenues generated could be assigned to Precinct 3 costs, to assure its profitability.

The justification for doing so, rather than leaving Precinct 3 untouched, is based on market considerations discussed below. We explain that it is essential that the entertainment and retail quadrants of the station area receive significant attention so that they become not only compatible with the proposed new housing, but positive elements in redefining the area's character and raising its profile to a recognized transit oriented residential and entertainment destination. Given that a new market for Precinct 2 housing might take more than 5 years to occur, if it is not clustered with Precinct 1, the beneficial redevelopment of Precinct 3 under this scenario might also have to be postponed.

An additional second phase development includes a new three-story office building at the intersection of Franklin and 15th Avenue (Parcel 5d). This building, containing approximately 34,000 square feet would at present, because of a weak office market, need to be pre-leased or built to suit. For that reason, specific economic models for this site have not been developed. Based upon estimated construction cost, the building represented in the Implementation Scenario could add as much as $5 million to the assessed valuation of currently vacant land.

[31] A higher ratio of rental to owned units would increase financing costs and reduce net rental revenue and returns from sales.
[32] Assumes site would contain no tax exempt property.
[33] This result could be improved by selling some of the commercial property to end-users.

Phase 3 development consisting of property in Precincts 4 through 8, encompasses everything remaining in the Implementation Plan.

This includes new mixed use buildings on the parcel north of Franklin between Cedar and Minnehaha to 20th Avenue (Precinct 6) as well as commercial and mixed-use commercial/residential buildings east of Cedar (Precincts 4 and 7 and parcels c, d and e of Precinct 6), and a new residential building of 68 units southwest of Franklin and Hiawatha (Parcel 5b).[34]

In addition, new grocery or restaurant retail uses on two sites (Parcels 8a and b) on either side of Cedar, north of the intersection where 20th Avenue and 9th Street meet are proposed for Precinct 8.

The new construction in Precincts 4 through 8 would have acquisition and construction costs of about $88 million in today's dollars, assuming they were built as illustrated in the Implementation Scenario. Since it is likely that this phase will occur ten years or more after Phases 1 and 2, it is unlikely that market response and opportunity will dictate these exact configurations. In fact, for the parcels located between Cedar Avenue and Hiawatha, south of Franklin, (in Precinct 4), the Implementation Scenario even considers alternatively, the compatible possibility of locating a single-use office headquarters on that site.[35] For these reasons, existing assessed values and new assessed values are not projected here.

It is however useful to examine an economic model for Precincts 4 and 6 because they contain significant infrastructure changes between and adjacent to them. The purpose is to test the feasibility of undertaking the intersection change at Minnehaha and Franklin, and the Nicollet/Cedar connector at the south end of Precinct 4. Removal of a fire station at the northeast corner of Minnehaha and Franklin and its replacement elsewhere is also a part of the costs considered in Precinct 6.

Under the Implementation Scenario, the new construction value of these two precincts (4 and 6) would have a total value of nearly $64 million. Infrastructure, utility and streetscape costs, plus the fire station replacement, would amount to almost $6 million. About $4.8 million of that would be attributable to the fire station removal and replacement to create a parcel for a mixed-use building that would have a construction value of about $6.5 million.

[34] This parcel could be developed in Phase 2 if it were developed as a senior residential facility (see footnote 22).

[35] The addition of an office headquarters would be compatible with other uses contemplated for the Implementation Scenario, and because of its increased density, would almost certainly help the economics of the whole redevelopment area. It has not been assumed in economic models however, since its likelihood is dependent upon the ability to attract a single use tenant desiring to locate here.

Under this scenario, this portion of Phase 3 construction would generate a precarious margin of positive cash flow – less than $300,000 per year after applying all of roughly $13 million in new tax revenue to write down construction and acquisition cost.

If the fire station replacement were omitted from the scenario, the increase in assessed value would be reduced from nearly $64 million to just over $57 million, but with the dedication of the then remaining $11.7 million of increased revenue, a positive cash flow for the two precincts could profitably cover borrowing costs and the costs of remaining infrastructure changes.

Other portions of Phase 3 would have comparatively insignificant related infrastructure costs, except for the replacement of a portion of the noise wall in Precinct 5, southwest of the Hiawatha overpass at Franklin, to permit the development of new residential development on Parcel 5b. The value of that building, could approach $15 million, new tax revenues from which would need to be tied to the roughly $70,000 assigned as a cost for the adjacent noise wall replacement.[36]

Eventually, probably beyond Phase 3 of the Implementation Scenario, it is contemplated that new mixed use or institutional training buildings south of the 22nd Street connector between Minnehaha and Cedar, could be constructed along with the optional renovation or reuse of existing industrial buildings further south along Snelling. This would create an additional entertainment, live/work, loft living destination, strengthening the draw and image of the entire area. Since this would probably occur after most of the other phases of the Implementation Scenario were complete or underway, the financial feasibility of such spin-off redevelopment is only speculative at this time, depending heavily on economic variables that may change in the future. For that reason, no financial analysis for its feasibility has been done at this time.

[36] Note that building value could be less if a single story senior residence, being considered, is pursued.

Market Development

Market area considerations

Two market types are critical factors in the success of the proposed Implementation Scenario—the residential market and the retail/entertainment market.

The underlying market strategy for the Implementation Scenario relies upon the strength of the growing residential market in the Twin Cities metropolitan area and in particular in the City of Minneapolis and its downtown. An important, but secondary market to consider for the success of the Implementation Scenario is the potential for enhanced retail and entertainment in the station area.

Traditionally the retail market, particularly a restaurant and entertainment market is much more heavily dependent upon the character and quality of management, and the identification of niche demand than is the residential market. Important factors include location, accessibility and parking, but while location is important from the standpoint of draw area and economic demographics, restaurant and entertainment venues that achieve "destination" status, are capable of bringing trade from a broad area.

Fortunately for the Franklin Station Area, several businesses in this area have already achieved this status including the Cabooze, the Joint and Whiskey Junction. Drawing from both major cities and their suburbs, the draw area of these businesses and its economic strength is more than sufficient to support growth. In addition, the area has become known for its unique motorcycle sales and service activities, with a specialty bike business located along Cedar and a new business, Lucky's Garage, that has a similar focus with an already established, larger clientele moving into the area. The new owners of Lucky's Garage are also the new owners of Whiskey Junction. To promote the draw of both businesses, they intend to build a symbiotic business relationship between these two retail types.[37]

Interviews with both major entertainment owners in the area (located on Precinct 3) have indicated an interest in promoting their daytime market including lunch business that could draw nearby downtown employees on light rail, much as restaurants further from downtown but along the rail line have begun to do. The potential for expanded restaurant and entertainment venues at this location is clearly enhanced by the new light rail line.

Another entertainment venue that is being considered by the American Indian IOC, a dinner theater and cultural center, would draw from a different market profile, primarily from south and southwest Minneapolis, but it would also aim to attract from all of Minnesota and even from domestic U. S. and international tourists.[38] This would help to add identity to the Franklin Station Area as a unique center for entertainment.

[37] Interview with Cami and Rollie Waag, owners of Lucky's Garage and Whiskey Junction.

[38] An American Indian Dinner Theater and Cultural Center, A Feasibility Study, 2003, by Merrie A. Sjogren

While it will be important to build upon the strength of this existing retail, to help create an identifiable image, or brand, and to refine its compatibility with a surrounding residential center, the driving market focus for populating the Implementation Scenario must be the residential market.

The Implementation Scenario proposes one thousand new housing units over a period of 15 to 20 years. The strength of that market and the tax base growth associated with it are the underlying forces that must be harnessed to support required infrastructure, property acquisition and construction costs associated with this station area plan.

Without expanding its market, the local market demand for housing around Franklin station is about 425 units over the next five years.

Since downtown rental vacancies are currently high, over 10%, a soft market is presently indicated. However even with immediate planning for the Franklin Station area, development could only begin two to three years from now, by which time the market should have recovered sufficiently. We view the site as appropriate and viable for rental buildings entailing roughly 250 units, renting at an average of $1.40 per square foot.

Current local market demand for owner-occupied residential units indicates that a building or complex of about 175 units can be recommended with a mix of studio, 1BR and 2BR units priced ranging from $175,000 to $350,000.

Since the Implementation Scenario recommends about 625 total residential rental and owned units for Phase 1, or Phase 1 and 2, it exceeds local demand by about 200 to 250 units, and calls for owner occupied units about double in number the area's current local demand. The market for these units, plus demand for the remaining 375 units called for as Phase 3 of the Development Scenario, must be found in a broader draw area.

Because the Franklin Station Area is so near to downtown, and has gained new accessibility through the introduction of light rail, its market has in our view, shifted from largely local to potentially regional, similar in many respects to the market draw of outlying blocks of the downtown area.

Market demand and the draw area for downtown condominiums include the City of Minneapolis and southern and western suburbs. As indicated above, Metropolitan Council forecasts predict that the City of Minneapolis will grow by more than 50,000 in the coming 25 years. Including portions of the southern and western suburbs, the forecast is for increasing growth in this market area of more than 100,000.[39] Typical household sizes vary in the draw area, but accounting for this range, the new households in the market area will grow by 25 to 35,000 in this timeframe.

[39] A study for the Brookings Institution suggests even stronger growth, stating that by 2030 the whole Minneapolis/St. Paul metropolitan area will require an additional 559,000 residential units to accommodate a population increase of over 1.4 million people. *Toward a New Metropolis, The Opportunity to Rebuild America*, 2004, Arthur C. Nelson, for The Brookings Institution Metropolitan Policy Program

Recent downtown growth in rental and condominium construction has equaled about 300 new units per year through 2003. In 2004, the total of new units absorbed was about 700. Taking into account new units being considered for construction or underway, a conservative estimate indicates an ongoing absorption rate of at least 500 units per year. Based upon the above growing population projections, this rate of absorption seems feasible for the foreseeable future.

The growth of Hennepin County and the draw area from which Minneapolis is gaining buyers indicates that it is reasonable to expect that the Franklin Station Area, by virtue of its proximity to downtown and its new convenience of travel to it by light rail, could support at least an additional 200 first phase units, beyond its local market demand of 425. We do not suggest that the Franklin Station Area is identical in its draw to the downtown. But given the downtown absorption rate of 500 units per year, the Implementation Scenario would have to attract only 5 to 10 percent of that market over the next 5 to 10 years (in addition to its own local market demand) to sell all the owned units anticipated for Phases 1 and 2.

View down Franklin Avenue, looking west beyond light rail station

As downtown units are built more distant from the core of city amenities, and ideal sites there become more difficult to secure, there is every reason to believe that new residential units in a well designed cluster at Franklin Station-- steps from the station and minutes (two stops) from the downtown--will compete very favorably with many downtown options.[40]

[40] The Center for Transit Oriented Development supports these conclusions. It identifies Minneapolis/St. Paul as a significant new market for housing in transit zones, (zones within one-half mile of a fixed rail transit station). It predicts household growth in the metro area of 38.5% by 2025, and determines that potential transit zone household growth will exceed 20% of the total household growth for the period through 2025. *Hidden in Plain Sight, Capturing Demand For Housing Near Transit*, September 2004, Center for Transit Oriented Development.

Market development components

Several factors can help develop a better market for development in areas where it is desirable to bring new vitality to an area.

- **Critical mass:** If a broad area plan can be developed with community support and the potential for public commitment, the development of individual parcels as a part of that plan becomes inherently less risky. Predictability and a public sense of area potential often help property sales, and values in particular. Values tend to be determined by nearby comparables; hence each part of a larger plan helps enhance the value of other parts.
- **Transportation:** Accessibility and ease of destination to places related to the developing site, add value. Access to light rail within steps of the station will enhance the perceived value of both the residential and the entertainment venues nearby.
- **Design/security:** Well-designed public space that provides a unifying and pleasing sense of place can have measurable value in enhancing the market for development along its way. Issues like lighting, streetscape and visibility can contribute to a sense of safety that is sometimes lacking in unconsidered public space.
- **Financial feasibility:** Many factors enter into the equation of a development's financial feasibility. Land assembly, zoning density, market rental and sale rates, the cost of money, and approval processes all enter into the considerations a developer must assess before beginning a development. A unified public/private plan addressing these issues can make development possible where otherwise no market-driven activity will begin. The more it is possible to reduce developer risk, the more likely it is that the market will suffice to support development
- **Identity:** Even when an area can compete for development on an equal footing, it is helpful to find a marketing or "branding" edge that permits one place to attract new development where another cannot. "Eat Street" on Nicollet Avenue South is an example of an area that defined itself in a way that attracted new and ethnic restaurants that could as easily have located on any of a half dozen other north/south arterials in Minneapolis. With a sense of identity, a community can also come together to build on a common vision, which often, once expressed, develops a staying power and creativity that would not otherwise exist.

Market Development recommendations

Ways to develop the market for the Franklin Avenue Station can be discussed in terms of the Market Development factors described above:

- **Critical mass:** Pursuit of the more aggressive scenario for the simultaneous planning and development of Precincts 1, 2 and 3 is likely to assure developers that their property will be set within a desirable context, with identifiable, attractive entertainment venues near a new well designed and integrated residential mixed-use neighborhood.

  The uses proposed for the sites in this Development Scenario are carefully considered, and intended to help leverage the value of adjacent sites as well as maximizing their own. Significant changes in use from those described in the Development Scenario could have serious long-term effects on the outcome of redevelopment in the whole area. For example, introducing unanticipated uses such as new industry, auto related businesses or warehousing on one of the parcels intended for residential use could make other nearby sites undesirable for additional housing growth.

- **Transportation:** The convenience that Franklin Light Rail Station creates to downtown, the international airport and the Mall of America gives this site unique and special characteristics. Design should be tailored to maximize this advantage.

  Multi-modal transportation to and from the site also enhances the marketability of the area. Attention to the bike path running along the rail track has the potential to enhance it as a conspicuous amenity. Pedestrian paths and intersection changes to make driving simpler and walking easier will also increase the areas' market appeal.

- **Design/security:** The Franklin Station Area suffers from a current lack of the kind of aesthetic that normally promotes substantial development investment. The inclusion of a streetscape plan, along with enhanced pedestrian pathways and an at-grade approach and plaza near the station (supplanting the sunken Franklin street sidewalk as the primary pedestrian pathway), will do much to assure new investors and residents that the area's aesthetic and security character will be positive.

  Among the specific issues that must be addressed include the opening of access for pedestrians through the currently chain-link fenced Precinct 1, and the elimination and clean up of the cluttered view created by Ambles' outdoor storage. Acquisition of, and clean up of that site as a first step is consistent with the concept of assuring a pleasing and safe future design plan for the broader area. Without addressing this early, it will be very difficult to assure developers, future residents and prospective new businesses that the image of the area will change to make it feel appealing and safe.

Design issues can make or prevent the success of a new development. For example, entertainment uses built into the same building with rental units or condominiums must be carefully designed to avoid noise and cooking odor nuisance that would diminish the desirability of a residence. For that reason, the Implementation Scenario separates entertainment and motorcycle uses from the residential parcels, sufficient to make them interesting but not threatening.

In another instance, we recommend that the AIOIC's dinner theater and cultural center, if built, join the other entertainment uses on Precinct 3. On the other hand, while it would be possible to incorporate the AIOIC's service and educational offices into Precinct 2 by using a frontage and entrance separate from the residential uses on that site, we would encourage that they be moved to a new or reconstructed building in more industrial or commercial portions of Precinct 4 or 7. This would maximize the AIOIC's return if it sells or invests in Precinct 2 for new residential uses.

- **Financial feasibility:** This financial analysis developed for the Implementation Scenario makes a substantial start at illustrating the financial considerations that make this area an attractive location for significant investment.

  Timing of acquisition and assembly of sites into the clusters of parcels discussed in the financial analysis will be critical to the success of the entire area. Infrastructure can only be financed when tied to sufficient new development. If development of isolated parcels within those clusters is permitted or development timing is haphazard, the city and neighborhoods may find themselves challenged with nearby infrastructure needs that cannot be supported from the revenues generated by redeveloping the remaining adjacent parcels. This could not only prevent the infrastructure improvements, but if it reduces the development value of remaining parcels it could also preclude their redevelopment.

  Another practical financial issue that must not be overlooked is the importance of parking. The Implementation Scenario is based upon the calculated needs of the entire redevelopment area. While residential parking can be incorporated into and beneath its related buildings, commercial and entertainment parking is needed, in the amounts indicated in the Implementation Scenario, to permit that activity to thrive. Even though this station area development is in many respects transit oriented, meeting the parking needs of the existing and future entertainment businesses that draw patrons from beyond the reach of current light rail service is essential. While the parking deck capacity contained in the Implementation Scenario for Precinct 3 is a major reason why infrastructure costs in that precinct cannot be supported from development on Precinct 3 alone, the existence of that parking will be a major contributor to the vibrancy of the entire area, and therefore is

best supported by development that combines Precincts 1, 2 and 3 into one unified development plan.

Finally, while the financial feasibility of the Development Scenario has been assessed assuming market rate housing and commercial uses, the financial analysis addresses the potential for a mixture of market and affordable housing with a broad range of pricing. The potential for mixing affordable residential units into this plan is dependent upon the ability to make the entire scheme maximize newly generated tax revenues. While there are sources other than tax increment available for certain uses contained in the plan, the ability to cluster development and pay for infrastructure in connection with tangible new tax revenue is clearly a positive in making this development come to pass. The inclusion of a range of housing affordability and prices is in our view desirable to make this a vibrant transit oriented community. Therefore, once again, if affordable housing units are desired, a combined approach to the development of Precincts 1, 2 and 3 is likely to make that more feasible.

- **Identity:** A name and market plan amplifying the identity of existing entertainment and motorcycle businesses in the Franklin Station area could give this area a novelty and attraction that would fit well with younger loft buyers or baby boom condo buyers looking for a little more urban edge than they can find in the suburbs. The image of the area could also be tied to its proximity to Minneapolis downtown with its sports and entertainment opportunities like those found at the Metrodome, the Target Center and the new Guthrie Theater. A large enough concentration of mixed-use entertainment and housing, together with a marketed theme, could significantly add to the attraction of this area.

  Discussions with current business entertainment owners reveal that they are interested in participating in this type of market development, and in fact have creative ideas and plans to do so. Coordination of their business plans into the area's redevelopment has very positive market potential.

Public and Private Sources and Uses

The most obvious sources of funding for this development are tax increment financing and abatement. Our calculations have been based primarily upon an assessment for the potential tax increment generated.

With a mix of housing costs, sizes and amenities included in the Development Scenario, there is potential to generate new family residences that include school age children among those who will live in the approximately 1000 housing units ultimately envisioned by this plan. While assessing the desirability of tax increment financing, that fact will be of interest to the school district, which receives more in per pupil education funding than it would receive from the incremental tax revenue on any residential unit that brings new children into the district.

The City of Minneapolis retains, from funds designated for the Master Plan, about $360,000 obtained from poolable TIF proceeds for streetscape improvements at the Franklin Station area.

Minneapolis also has a $1 million Higher Density Corridor Housing Initiative land acquisition fund from CDBG funding. This should be investigated as a source for site acquisitions. It includes minimum affordable housing requirements, encourages matching (i.e. Neighborhood NRP funds and can be applied for through May 15, 2006.

Hennepin County allocated funding for Transit Oriented Development funding. Its TOD program had a budget of $2 million for 2005. It is available for property acquisition, community corridor connections, development or redevelopment of housing and existing commercial, job creation and other uses that serve the public purpose.

Other sources of funding that could be applied to redevelopment or transportation aspects of the Implementation scenario include Metropolitan Council Livable Communities Grants, and Congestion Mitigation and Air Quality Improvement (CMAQ) grants (if improved transit ridership can be projected. For road or transportation improvements there are a variety of funding sources that could be investigated under metropolitan Transportation Improvement Plan (TIP) funding.

Implementation Recommendations

Specific steps and actions
Based upon the analysis above and the conclusions that follow from it, the following specific steps and actions are recommended as an implementation plan. Times specified are estimates intended to provide a sequence of events and a general sense of timing.

First Year Activity
City Redevelopment District Adoption, Rezoning, Designation of Development Administrator

- The City of Minneapolis should adopt the Implementation Scenario as a modification of the Master Plan and designate the area as a Redevelopment District.
- Initiate rezoning activity to permit the uses designated in the Implementation Scenarios.
- Designate and fund a development administrator to promote and facilitate the Implementation Scenario

Years One through Five
Secure developer, land acquisition, financial plan

- Begin the development of Precinct 1 using either of two approaches
  Develop it as a single site absorbing all of the historically based demand (150-175 owned, 225-250 rental), or
- Develop it as part of a four quadrant development, focusing on high end owner occupied condominiums in Precinct 1 (350 owned, 55 rental -- Preferred)

  Recommendation: Unless a willing developer (or developers) cannot be found for this approach, or unless land acquisition issues become prohibitive, pursue the four-quadrant option. If a developer is found who accepts the evidence that an expanded market will support this scale of development (even if it needs to be phased by Precinct or even by building within a single Phase 1), the following advantages will accrue from the more aggressive approach:

  - Ability to take full financial and design advantage of the assets of the site
  - Increased sale prices and rent rates
  - Increased financial capacity to acquire underlying land
  - Increased potential to optimize the value and use of adjacent quadrants
  - Increased potential to catalyze broader area development
  - Better leverage to pay for area infrastructure changes

- Publicize the development opportunity nationally, identifying and recruiting appropriate developers to serve as a master developer or as part of a development partnership, each taking appropriate portions of the development.

- Assist in the communications between interested developers and local businesses, landowners and stakeholders to develop a financial and land acquisition strategy that will provide inducements to cooperate in the redevelopment. If possible, avoid the need to consider eminent domain.

- Select a developer (or developers) through city approval after reviewing preliminary proposals and concepts and submitting them to an informal city staff, county and neighborhood review process.

- Begin the process of identifying funding sources, make grant and financing applications and negotiate a development agreement between the developer and the City.

- Assist in negotiations between the developer, the City and local businesses, landowners and stakeholders (including any governmental land owners) to accomplish land acquisition and any participatory development agreements that may be appropriate among them.

- Finalize development and financing agreements (including applicable infrastructure funding and improvement agreements) between the City, the developer and other involved parties. Have them approved and executed.

Years Two through Ten
Site Assembly, construction, Phase I

- Begin land acquisition, design and construction for Phase I precincts.

- Development of Precincts 2 and 3

    - The residential market for Precinct 2 will not immediately exist if Precinct 1 was developed separately and has used all of the existing demand.
    - (If Precinct 1 had been developed separately, after a sufficient market demand has developed—in 4 to 5 years--begin Precincts 2 and 3 by proceeding through the steps set forth above for Precinct 1), otherwise proceed to:

- Help identify a site for AIOIC's service uses either on Precinct 2 or elsewhere (It is recommended above that this site be outside Precincts 1, 2 and 3, except for the dinner theater/cultural center in Precinct 3).

- Encourage entertainment owners on Precinct 3 to expand or incorporate their businesses into a signature development plan for Precinct 3 and assist in those negotiations until agreements are reached.

- Refine and enforce a unified development plan for Precincts 2 and 3, consistent with Precinct 1, incorporating parking and infrastructure costs.

- Link the following infrastructure costs to the four quadrants around the station and assist in their implementation:

    - Initial landscape improvements on Franklin from Hiawatha to the LRT line
    - Improved landscape, plaza design and under-bridge improvements along Franklin from Ventura Village through Cedar intersection
    - Relocation of power lines along Cedar
    - Relocation and realignment of 9th Street with 20th Avenue South north of Precinct 3
    - Site related parking structures

- Facilitate coincident First Phase development of the CUHCC clinic and Workforce housing sites

    - Market exists for mixed-use retail in Workforce Housing site
    - CUHCC clinic mixed use should build commercial/medical floor to suit.
    - Housing above CUHCC clinic ground floor will compete with Precincts 1 & 2, but has potential to come on market first

Years Six through Ten
Site Assembly, construction, Phase II

- Begin Phase 2 development (other than Precincts 2 and 3, see above)
    - Seek developer and tenant for office building at the intersection of Franklin and 15th
    - Assist in exploring, negotiating land acquisition
    - Begin construction of office building

Years Eleven through Twenty
Site Assembly, construction, Phase III

- Begin Phase 3 development, conduct land assembly, developer selection, site financing and development agreements for the following:
    - Housing on Precinct 5
    - All of Precincts 4, 6, 7 and 8
- Development on Precincts 4 and 6 should be tied to Infrastructure costs of the road reconfiguration (and sewer alterations under Precinct 6) at Minnehaha Avenue as well as to Franklin streetscape improvements east of Franklin
- Development on Precincts 4 and 7 should be tied to the 22nd St. extension tying Minnehaha and Cedar
- Sound wall reconstruction adjacent to Parcel 5b should be tied to that parcel's residential development

Conclusion

The specific steps and actions set forth above reflect the decisions and recommendations entailed in the Implementation Scenario developed under this study. They are necessarily brief and in terms of detail, incomplete. This is unavoidable, since the complexity of development can never be predicted in detail. They do however, provide an outline with important guidelines, around which the detailed tasks of redevelopment can be successfully pursued.

The market and financial feasibility analysis upon which these recommendations are based, is intended to provide the underpinning for an implementation scenario (with variables) that has the components needed to mobilize development in the spirit of its underlying Master Plan. It is an informed assessment of demand and financial estimates that is believed to be realistic. There are certainly other scenarios and other financing approaches that could also be expected to succeed. But based upon the input of community stakeholders, the guidance of those overseeing this study, and our best analysis, the Implementation Scenario, with caveats proposed here, is the course we recommend to respond both to the desires of the community and to the realities of today's market and development environment.

Appendix

Data and information has been drawn from among the following sources:

The *Franklin – Cedar Riverside Transit Oriented Development Station Area Master Plan, SRF, 2001*, with its incorporated references to the *Hiawatha LRT Corridor Transit-Oriented Development Market Study, Maxfield Research/ZHA, 1999*.

The*Ventura Village Market and Development Feasibility Analysis, McComb Group, Ltd, 2000*,

An American Indian Dinner Theater and Cultural Center, a Feasibility Study, Sjogren, 2003.

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